INTERNATIONAL BUSINESS

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"Auren International Business" is a quarterly publication comprised of contributions from colleagues around the world. The newsletter includes country-focused articles, international tax cases, and technical updates on various topics that impact businesses. The experts at Auren possess the knowledge and experience to assist you on your journey, and this issue can serve as the starting point for your inquiries.

Some of the features of this edition include:

Introduction of the Global Minimum Tax in Poland and what involves this new regulation that will come into effect on January 2025, learn about Türkiye's Amending Law and its transformative impact on the business world, and get to know all about New EU Directive targets Greenwashing to protect consumers.

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

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Fiscalization in the Republic of Srpska: Everything You Need to Know

Learn about the new fiscalization system in the Republic of Srpska with Eurofast tax experts. Find out key deadlines, submission procedures, and benefits for taxpayers. This article will help you stay compliant and take advantage of subsidization support by acting promptly.

Fiscalization

refers to the process of registering and reporting every transaction of goods and services through fiscal cash registers. This system is designed to ensure that all sales are recorded, and taxes are accurately collected, thereby improving transparency, and reducing tax evasion.

Key Announcements and Deadlines

The Tax Administration's Public Call details the responsibilities and deadlines for both taxpayers and operators within the new fiscal system. Here's what you need to know:

- **Who is Affected?** The first group of taxpayers includes those who were previously required to register each transaction through existing fiscal cash registers. It also includes businesses that have registered their activities requiring transaction recording through fiscal cash registers up to the date of the announcement.

Submit Applications:	Electronic Submission:	Completion Deadline:
Taxpayers must submit applications for business premises registration, issuance of a security element, and request for cost subsidization within 60 days, **by June 17, 2024**.	All applications are to be submitted electronically via the Tax Administration of the Republic of Srpska's website under e-Services - Submission of Applications.	The initial fiscalization process, including traffic registration through electronic fiscal devices, must be completed within six months from the application deadline, **by December 17, 2024**.

Responsibilities of the Tax Administration

The Tax Administration will oversee:

- The registration of business premises and places of business.
- The issuance of security elements.
- The subsidization of initial fiscalization costs.

Benefits of the New System

Increased Transparency: Ensures all transactions are recorded accurately

Improved Compliance: Helps in reducing tax evasion.

Efficiency: Streamlines the process of tax collection and reporting.

Media Campaign for Smooth Transition

To facilitate a smooth transition to the new fiscalization system, the Tax Administration has launched a comprehensive media campaign. This campaign will provide detailed information through printed, digital, and electronic media, including:

- Publication of the Public Call content.
- Broadcast of promotional videos highlighting the new system's advantages.

As you can see, the new fiscalization system in the Republic of Srpska improves tax compliance and transparency. The taxpayers should understand the key deadlines and submission procedures to smoothly transition to the new system and benefit from the support and subsidization offered. Staying informed and following the guidelines will help increase efficiency and compliance.

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Navigating the Dual-Currency Landscape: Challenges for Bulgarian Businesses amid Euro Adoption

Bulgaria is on the verge of a major economic change as it plans to adopt the Euro by 2025. There's also discussion about introducing the Euro as a secondary currency in 2024. This upcoming change poses challenges for businesses, requiring careful thought and strategic adjustments for operating with two currencies simultaneously.

Dual-Currency Transactions

At the forefront of these challenges is the organization of payments for goods and services. Businesses must meticulously coordinate both cash and bank transactions in dual currencies. The prospect of cash payments, while seemingly straightforward, requires investments in additional cash registers or software alterations. The resulting dual-currency receipts pose not only pricing and rounding challenges but also demand a keen eye for detail.

Banking Considerations

Companies are necessitated to open Euro accounts, accompanied by the burden of additional fees for these newfound financial conduits. Currency conversion, a staple in Bulgarian currency payments, takes on new significance, with transfers traversing through correspondent banks, inevitably leading to delays.

Financial and Accounting Reporting

The financial intricacies extend to the heart of businesses' operations, impacting the payment of suppliers and employees. The customary efficiency of currency payments in Bulgaria faces disruption, requiring adaptation to the complexities of managing transactions in two currencies.

A case study unfolds in financial and accounting reporting, revealing a need for specialized software to track the movement of material stocks. Accountants will apparently find their workload significantly increased as they grapple with processing documents in both currencies. The introduction of new software, though a technological advancement, becomes an additional financial burden, particularly for small and medium-sized enterprises.

Cost Implications

As businesses navigate these challenges, the unavoidable reality emerges – higher costs. The implementation of new software, operational adjustments, and the overall complexity of managing dual currencies contribute to an uptick in expenses. Inevitably, these heightened costs reverberate through the value chain, culminating in an increase in the sales value of the final product, challenging the competitive edge of businesses in the market.

As Bulgaria approaches the inevitable integration of the Euro, the potential introduction of the Euro as a parallel currency magnifies the challenges faced by businesses. Navigating this dual-currency landscape demands meticulous planning and a nuanced understanding of the operational, financial, and accounting intricacies involved. Despite the hurdles, businesses must chart a course that ensures a seamless transition, fostering resilience and competitiveness in an ever-evolving economic panorama.

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Reduction of the workweek in Colombia: a benefit for employees and a challenge for companies

Starting July 15th this year, the workweek in Colombia was reduced once again, from 47 hours to 46 hours per week meaning a change from 235 to 230 hours per month.

This new reduction was made in compliance with Law 2101 of 2021, which established a gradual reduction of the workweek and prescribed that in 2026, Colombia would reach a maximum of 42 hours per week, as follows:

1. As of July 15th, 2023, the ordinary workweek was reduced to 47 hours per week (previously 48 hours).
2. As of July 15th, 2024, the ordinary workweek was reduced to 46 hours per week.
3. As of July 15th, 2025, the ordinary workweek will be 44 hours per week.
4. As of July 15th, 2026, the ordinary workweek will be definitively regulated at 42 hours per week.

The gradual reduction of the workweek is in line with other regulations which aim to achieve a balance between Colombians' work and personal lives and aligns with recommendations from the ILO. Similarly, this regulation joins a list of norms that have gradually improved labor conditions in Colombia. Below, we mention some of them:

- Remote work, teleworking, and work for digital nomads, compiled in Decree 1072 of 2015.
- Increase of maternity leave to 18 weeks and paternity leave to two weeks, as well as shared parental leave, regulated by Law 2114 of 2021.
- Monetary and tax incentives for the creation of new formal jobs for youth aged 18 to 28, people with disabilities, and individuals earning up to 3 times the current legal minimum monthly wage.

Implementing this reduction in the maximum workweek in Colombia represents a challenge for Colombian companies, among others, for the following reasons:

- Colombia is one of the countries in Latin America with the most public holidays, totaling 18 per year.
- Our economy heavily relies on the workforce earning the legal minimum wage, and with the reduction of the workweek starting July 15th, 2024, the minimum hourly rate is estimated to increase by around 2.5%.
- In addition, the current government is working on a labor reform that, if approved, would increase employers' labor burdens.

We celebrate the Colombian regulation that is gradually progressing for the benefit of workers, but especially we celebrate Colombian entrepreneurs, who have successfully adapted to these challenges.

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Navigating Economic Challenges and Opportunities in 2024

Egypt's business environment in 2024 is characterized by significant economic challenges and opportunities. The country is grappling with high public debt and the need for substantial economic reforms. With a tax-to-GDP ratio expected to be around 13.5% and a hefty $29.2 billion in external debt repayments in the short-term, Egypt faces pressure to stabilize its economy while fostering growth.

How is the Egyptian government planning to reduce the current gap?

Economic Reforms and External Debt

The government has been working on making the exchange rate more flexible and implementing monetary policies aimed at reducing inflation. High public debt remains a concern, making Egypt vulnerable to external shocks. Therefore, a credible strategy to consolidate public finances is crucial for economic stability.

Growth in E-commerce

Despite these challenges, Egypt's e-commerce sector is booming. The market has seen rapid growth in recent years and is projected to continue expanding. This growth is driven by increased internet penetration, improved logistics, and a growing middle class that is more comfortable with online shopping. This sector presents significant opportunities for both local and international businesses .

Strategic Focus Areas

To navigate these challenges, Egypt is focusing on several strategic areas:

1. **Economic Diversification:** Reducing dependency on traditional sectors by investing in technology, renewable energy, and manufacturing.
2. **Investment in Infrastructure:** Enhancing transportation, energy, and digital infrastructure to support economic activities.
3. **Supporting SMEs:** Providing incentives and reducing bureaucratic hurdles to promote small and medium-sized enterprises, which are vital for job creation and economic growth.

Conclusion

While Egypt faces considerable economic challenges, particularly with its high debt levels and need for reform, the growth in the e-commerce sector and strategic focus on diversification and infrastructure development provide a pathway for sustainable growth. For businesses and investors, understanding these dynamics is crucial for making informed decisions in this evolving market.

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R & D Grant (Forschungszulage)

The German Research Grant Act (FZulG), is a significant legislative measure aimed at enhancing Germany's innovation capabilities. It provides incentives for research and development (R&D), encouraging both large and small enterprises to invest in innovative projects, which are crucial for maintaining competitiveness in the global market.

From the year 2024, the federal government significantly improved the research tax allowance. The aim is to make Germany more competitive internationally as an R&D centre.

Target Audience and Scope

The Research Grant Act targets companies of all sizes and across all sectors that are tax-liable in Germany. It is particularly beneficial for small and medium-sized enterprises (SMEs), which often lack the extensive resources needed for R&D compared to larger corporations. The law covers a broad range of R&D activities, including basic research, industrial research, and experimental development, making it a versatile tool for fostering innovation.

Scope of Funding

Under the FZulG, companies can receive a R & D grant equivalent to 25% and as SMEs even 35% of eligible R&D expenditures. This includes costs related to personnel involved in research activities and expenses for contracted research.

Funding is also available for the acquisition and production costs of depreciable, movable fixed assets used in an R&D project that are necessary or essential for the development of the project. Examples include machinery, laboratory equipment and facilities, computer hardware and software, test benches, analysers or equipment to produce prototypes.

The maximum annual funding per company is capped at 10 million euros eligible costs for large companies and capped at 3.5 million euros eligible costs for SMEs. To qualify for the grant, companies must obtain a certification from the Certification Office for Research Grant (Bescheinigungsstelle Forschungszulage BSFZ), which verifies that the projects meet the criteria for funding. pplications for certificates can be submitted at any time, both retrospectively and for future R&D projects.

Benefits and Challenges

One of the main benefits of the research grant is its simplicity and flexibility. The application process is relatively straightforward, and the grant is a direct financial support mechanism that does not require companies to be part of specific funding programs. This makes it an attractive option for SMEs looking to innovate. However, there are challenges, including the administrative burden of applying and the need to provide detailed documentation to the tax authorities to justify the claims.

The allowance is tax-free and is offset against the income or corporation tax assessed.

Impact and Perspectives

Since its implementation, the Research Grant Act has had a positive impact, encouraging more companies to invest in R&D. This investment is essential for boosting Germany's long-term competitiveness and innovation capacity.

Conclusion

In summary, the Research Grant Act (FZulG) represents a pivotal initiative in Germany's strategy to promote innovation and maintain its competitive edge. While the act has already shown positive results, ongoing adjustments, such as increasing the funding cap and expanding eligible costs, could further enhance its impact. The act offers a significant opportunity for companies, especially SMEs, to engage in R&D and contribute to Germany's innovation landscape.

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The digital transformation in Greece

Today's revolutionary changes are reshaping the world, creating opportunities and essential threats. Globalization and digital technology are the defining trends shaping the world. Greece closely follows the rapid changes that are taking place worldwide, driven by the technological revolution, globalization, as well as the demographic changes. Digital transformation is the pivotal process that leverages digital technologies to create new, or modify existing, business processes, corporate culture, and customer experiences to align with evolving market dynamics.

The Digital Transformation Strategy 2020-2025 of Greece, called also the 'Digital bible' is the main strategic document, which sets priorities for the digital transformation of the country, as well as goals to develop the digital skills of Greek society at all levels and ages. More specifically the Digital Transformation bible contains a record of the necessary interventions in the technological infrastructure, the education and training of the population for the acquisition of digital skills, as well as the way Greece utilizes digital technology in all sectors of the economy and public administration. Its main role is to describe the vision, philosophy and goals of the national strategy for the digital transformation. The Greek strategy underlines 7 primary objectives as well as supporting activities across specific areas, such as initiatives aimed at citizens or the education sector.

1. Safe, fast, and reliable access to the Internet for all.
2. A digital state, offering better digital services to the citizens for all life events.
3. Development of digital skills for all citizens.
4. Facilitating and supporting the transformation of companies and SMEs into digital enterprises.
5. Strengthening and enhancing digital innovation.
6. Making productive use of public administration data.
7. Incorporating digital technologies within all economic sectors.

The digital transformation is closely linked with the digital disruption, which occurs when a technological innovation destabilizes a business environment and erodes the status quo. This transformation can be highly disruptive, causing chaos and turmoil within the organization. Consequently, it's essential to be aware of the challenges that digital transformations pose and to take steps to mitigate risks. By defining a complete plan, and seeking third-party support, Greek entities can be prepared for the disruptions that come with digital transformations. Greek entities are called upon to play a leading role to this endeavor. To meet this great challenge, which is probably the biggest challenge Greek entities

have ever been called to face, they should integrate technologies, such as artificial intelligence, robotics, data analytics, etc., into day-to-day operations. Finally, investment in human resources, attraction well-trained professionals, as well as re-skilling the existing workforce and creating conditions for them to grow and prosper in this developing business environment is a must.

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Electronic Invoicing in India

Definition:

E-invoicing is a digital document between a supplier and buyer which is validated by the government portal.

E-invoice is a process in which all the invoices created by accounting software will be authenticated electronically by GSTN.

Objective:

The primary objective of e-invoicing is to ensure seamless interoperability throughout the GST ecosystem, allowing an invoice generated by one software to be universally readable by any other software within the system.

Another objective is to address the challenge of fraudulent claiming of Input Tax Credit (ITC) through fabricated invoices, which poses a significant issue for tax authorities. The implementation of the e-invoice system aims to mitigate this problem by providing real-time access to data, thereby strengthening oversight and reducing occurrences of tax fraud committed by dishonest taxpayers.

Applicability of E-invoice:

An e-invoice is applicable on business-to-business (B2B) transactions having turnover:

Phase	Applicable to taxpayers having an aggregate turnover of more than	Applicable date
I	Rs 500 crore	01.10.2020
II	Rs 100 crore	01.01.2021
III	Rs 50 crore	01.04.2021
IV	Rs 20 crore	01.04.2022
V	Rs 10 crore	01.10.2022
VI	Rs 5 crore	01.08.2023

The following registered entities are exempt from e-invoicing provisions:

- **Banking and Insurance Sector:**

  Any supplier providing a taxable service, including insurers, banking companies, financial institutions, or non-banking financial companies, is exempt from the requirement of e-invoicing.

- **Goods Transport Agency**

  When the supplier is a goods transport agency providing services for the transportation of goods by road using goods carriage.

- **Passenger Transport Service Supplier**

  When the supplier is supplying passenger transportation service, it is exempt from e-invoicing applicability.

- **Admission to an exhibition of cinematograph films in Multiplex**

  A registered individual engaged in providing services through admission to the exhibition of cinematograph films on multiplex screens is exempt from the applicability of e-invoicing provisions.

- **SEZ Unit**

  SEZ units are exempt from e-invoicing. However, SEZ developers are not exempt from e-invoicing.

Time limit to generate e-invoice:

From 01.05.2023: Taxpayers whose Annual Aggregate Turnover (AATO) equals or exceeds INR 100 crore are required to generate e-invoices for tax invoices and credit-debit notes within 7 days from the date of invoice. Failure to comply will lead to these invoices and credit-debit notes being considered non-compliant.

Furthermore, there is no prescribed timeline for generating e-invoices for taxpayers whose Annual Aggregate Turnover (AATO) is below 100 crores.

Generating an e-invoice involves the following key steps:

- **ERP Configuration:** Configure ERP systems to meet PEPPOL standards and integrate e-invoicing schema as per CBIC requirements.

Invoice Reference Number (IRN) Generation:

- Choose between direct API integration (IP whitelisting on e-invoice portal) or integration via a GST Suvidha Provider (GSP) for IRN generation.
- Alternatively, download the bulk generation tool to bulk upload invoices. It will generate a JSON file that can be uploaded to the e invoice portal to generate IRNs in bulk.

Invoice Creation: Create invoices with all necessary details (supplier info, transaction specifics, GST details) using ERP or billing software.

Upload to Invoice Registration Portal (IRP): Upload invoice data to IRP via JSON file, ASP/GSP, or direct API for validation and IRN generation.

IRP Validation and IRN Generation: IRP validates invoice details, checks for duplicates, and generates IRN based on GSTIN, invoice number, FY, and document type. It digitally signs the invoice and creates a QR code.

Notification and Integration: Receive e-invoice generation confirmation (via email), and IRP sends authenticated data to GST portal for tax returns. GSTR-1 is auto-populated, ensuring accurate tax reporting.

Cancellation of E-invoice:

An e-invoice cannot be partially cancelled but can be cancelled in its entirety. Upon cancellation, it is mandatory to report the cancellation to the IRN within 24 hours. Any subsequent cancellation requests cannot be processed through the IRN and must be manually cancelled via the GST portal before filing returns.

Conclusion:

- E-invoices are issued for business-to-business (B2B) transactions.
- E-invoicing was mandated for businesses with turnover exceeding Rs. 5 crores.
- The integration of e-invoices with the GSTN ensures that the details entered in the invoice are automatically populated into GST returns.
- Businesses create invoices in a designated format (currently JSON) and submit them to the Invoice Registration Portal (IRP) of the GSTN. The IRP validates the invoice and assigns a unique Invoice Reference Number (IRN) along with a QR code.
- E-invoicing enhances data accuracy, reduces errors, accelerates invoice processing, enables real-time invoice tracking, and streamlines reconciliation processes.

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Investing in Israel's Defense Industry: A Strategic Opportunity

The Israeli defense industry presents a unique and lucrative investment opportunity, particularly as Israel is the only democracy in the Middle East facing high exposure to constant threats, which motivates it to innovate and enhance its defenses continuously. This sector has demonstrated remarkable resilience and innovation, driven by the urgent need for advanced defense solutions.

Industry Growth and Technological Advancements

The Israeli defense industry is one of the most advanced globally, consistently ranking among the top defense exporters. Companies like Elbit Systems, Rafael Advanced Defense Systems, and Israel Aerospace Industries (IAI) are at the forefront, producing cutting-edge technologies such as the Iron Dome, David's Sling, and advanced UAV systems (The Media Line) (GlobalData). The demand for these technologies has surged, with significant exports to Europe, Asia, and other regions

Market Dynamics and Financial Performance

The defense sector has seen substantial financial growth, with the Israeli defense market expanding significantly and attracting investors worldwide. For instance, Elbit Systems reported a revenue increase to $1.554 million in the first quarter of 2024, reflecting the rising demand for their advanced systems. Similarly, IAI's net income soared 48% in the same period (Breaking Defense). This growth is driven by the sector's ability to maintain robust operations even as many employees were called to reserve duty, demonstrating the industry's stability and resilience.

Increased Global Interest

The exceptional resilience of Israel in facing numerous threats in the Middle East has increased global interest and acquisition of Israeli technologies by many countries worldwide, with a particular emphasis on European countries that are members of NATO and face global threats in their regions. This has led to increased purchasing and collaboration with Israel. Additionally, nations like the United States, Germany, Finland, and India have engaged in significant defense deals with Israel, acquiring cutting-edge systems like the Arrow air defense system and David's Sling (Business Wire). The United States, in particular, has been a significant customer, importing advanced technologies and systems from Israel. This increased demand from international markets has underscored the effectiveness and reliability of Israeli defense solutions.

Investment in Defense Startups

Investing in Israeli defense startups is another promising avenue. The country is renowned for its vibrant startup ecosystem, which extends to the defense sector. Many Israeli defense startups are at the cutting edge of technology, developing innovative solutions in cybersecurity, unmanned systems, and artificial intelligence. This makes them highly attractive to investors looking for high-growth opportunities.

Private Companies: Not only are countries investing in the Israeli defense industry, but private companies are also increasingly participating, recognizing their potential for rapid growth and significant returns.

Countries: Reports indicate that international investors, including various governments, are increasingly focusing on Israeli defense startups due to their potential for rapid growth and significant returns. These investments are driven by the need for advanced defense technologies to address global threats. (Israel Hayom).

Global Perspective on Investment Opportunities

Investments in Israeli defense technologies are appealing across three critical levels:

Homeland Security: Israeli startups develop cutting-edge technologies for homeland security, including advanced surveillance systems, biometric identification, and cyber protection. These innovations are crucial for countries aiming to enhance their national security infrastructure.

Defense: The defense sector benefits from Israeli innovations in areas such as missile defense systems, unmanned aerial vehicles (UAVs), and electronic warfare. These technologies provide significant advantages to countries seeking to bolster their defensive capabilities against various threats.

Military: On the military front, Israel's advancements in artificial intelligence, robotics, and precision weaponry offer substantial benefits. These

technologies are designed to improve operational efficiency and effectiveness, making them valuable assets for military forces worldwide.

Strategic Importance and Future Prospects

Israel's defense expenditure is expected to remain high, driven by regional security threats and the need to maintain a qualitative military edge. The defense budget, including US aid, was estimated at $23.6 billion in 2023, with a projected growth rate of over 2% annually from 2024 to 2028. This continuous investment underpins the development and procuring of advanced military technologies, ensuring Israel's strategic advantage.

Conclusion

Investing in Israel's defense industry offers substantial opportunities, supported by a robust technological foundation, increasing global demand, and strong financial performance. The sector's continuous innovation and strategic importance make it a compelling choice for investors looking to capitalize on cutting-edge defense technologies and secure profitable returns. Additionally, Israeli defense startups provide a dynamic and high-potential investment landscape.

Auren Israel invites you to contact us to explore these investment opportunities further. We help merge and acquire high-tech knowledge, locate and negotiate the transfer of intellectual property to your company, and shorten the "time to market" of your products with advanced technology that is better than the competition.

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Ban on Greenwashing: new EU directive published

A 2020 European Commission study highlighted that 23% of online advertisements for products and services contained at least one potentially misleading claim. Directive (EU) 2024/825 of February 28, 2024, focuses on empowering consumers in the green transition by enhancing protection against unfair practices and improving information.

By its nature, marketing, broadly understood as the commercial promotion of goods and services, cannot do without a certain degree of manipulation of the information offered to consumers, to encourage their propensity to purchase and guide their choices. Legal manuals speak of "good deceit," emphasizing, on the one hand, the substantial adherence to the principles of fairness in commercial propaganda activities, and on the other hand, the general ability of recipients to discern between advertising hype and factual reality. This does not mean, as is well known, that all commercial practices are lawful. The term unfair commercial practices refers to behaviors contrary to the obligations imposed on economic entities by professional diligence and capable of distorting the assessments on which every consumer bases their willingness to purchase one product over another.

GREENWASHING

These activities include communication and marketing techniques known as greenwashing, which aim to unfairly exploit the growing demand for environmentally friendly products and services by highlighting actions that, in reality, are not genuine. These actions are promoted solely to present the producer/supplier as being concerned with protecting the planet, sustainability, and fairness. The neologism greenwashing is a play on words created by combining the adjective “green” (in the sense of to metaphorically “hide” or “clean up”). It refers to the phenomenon, not always lawful, where companies that are not particularly virtuous or have a less-than-stellar environmental reputation “clean up” their brand through propaganda or specific marketing strategies aimed at falsely enhancing their supposed attention to environmental issues. In the European Union, unfair commercial practices are regulated by Directive 2005/29/EC, updated by Directive 2019/2161, which aims to combat both misleading practices (articles 6 and 7) and aggressive practices characterized by the use of coercion and undue influence (articles 8 and 9). Additionally, Annex I of Directive 2005/29/EC contains a list of commercial practices that are prohibited in all circumstances (the so-called “blacklist”). Directive 2005/29/EC has thus far represented the regulatory framework aimed at combating greenwashing, stipulating that: i) Environmental claims must be presented clearly, specifically, accurately, and unequivocally to ensure that consumers are not misled; ii) Professionals must have evidence to support their claims In Italy, at the national level, the Consumer Code protects consumers from misleading environmental claims through Article 20 (Prohibition of unfair commercial practices), Article 21 (Misleading actions and omissions), and Article 23 (Blacklist). The latter, in particular, always prohibits: a) The false information by the professional of being a signatory to a code of conduct; b) The false display of a quality or trust mark; c) The false claim that a code of conduct has received the approval of a public body. Finally, the Code of Advertising Self-Regulation, in Article 12, states that: “Commercial communication that claims or suggests environmental or ecological benefits must be based on truthful, relevant, and scientifically verifiable data. Such communication must clearly indicate to which aspect of the product or advertised activity the claimed benefits refer.”

THE NEW DIRECTIVE

Despite the current EU framework for consumer protection, unfair commercial practices continue to dominate the relationship between businesses and private customers. In 2020, a European Commission study (Environmental claims in the EU – Inventory and reliability assessment) highlighted that 23% of online advertisements for products and services contained at least one potentially misleading claim. To address the urgent need for regulatory updates, Directive (EU) 2024/825 of February 28, 2024, was published in the Official Journal of the European Union on March 6, 2024. This directive focuses on empowering consumers in the green transition by enhancing protection against unfair practices and improving information. The directive aims to contribute to the proper functioning of the internal market by ensuring a high level of consumer and environmental protection and facilitating progress in the green transition. It is

deemed essential that consumers can make informed purchasing decisions, thereby materially contributing to the promotion of more sustainable consumption patterns. This, in turn, means that economic operators must provide clear, relevant, and reliable information, taking responsibility for it. Therefore, specific rules have been introduced into the Union's consumer protection legislation to combat unfair commercial practices that deceive consumers and prevent them from making sustainable consumption choices. This includes practices associated with the early obsolescence of goods, misleading environmental claims (greenwashing), information about the social characteristics of products and companies, or sustainability labels that are not transparent and credible. As clarified in the explanatory report of the directive, the new rules will enable national competent authorities to effectively address these practices.

PROHIBITED PRACTICES

The Directive (EU) 2024/825, in particular, amends Directive 2005/29/EC on unfair commercial practices and Directive 2011/83/EU on consumer rights. Regarding Directive 2005/29/EC, the list of prohibited commercial practices considered unfair is expanded to include a series of marketing strategies such as: i) Displaying sustainability labels that are not based on a certification system or have not been established by public authorities; ii) Using generic environmental claims: expressions like "environmentally friendly," "eco-friendly," "green," "nature-friendly," "ecological," "climate-friendly," "environmentally sustainable," and "biodegradable" are only lawful if the operator demonstrates that the claimed environmental performance is actually met; iii) Making environmental claims about a product as a whole or about the economic operator's activities as a whole when, in reality, these claims only apply to a specific aspect of the product or an element of the activity; iv) Claiming that a product has a neutral, reduced, or positive impact on the environment in terms of greenhouse gas emissions when such claims are based not on the entire life cycle of the product but on "offsetting" the emissions in question. The Directive (EU) 2024/825 also addresses practices associated with the early obsolescence of products, including planned obsolescence, defined as a commercial policy based on the deliberate planning or designing of a product with a limited lifespan, so that it prematurely becomes obsolete or stops functioning after a certain period or predetermined intensity of use. To this end, the failure to inform consumers that a given software update will negatively affect the functioning of goods containing digital elements or the use of digital content or digital services has been included among unfair commercial practices (in Annex I of Directive 2005/29/EC). Finally, Directive (EU) 2024/825 amends Directive 2011/83/EU to ensure that consumers receive specific information about product durability, reparability, and the availability of updates before concluding a contract, even in the case of distance contracts and contracts negotiated away from business premises through electronic means. Specifically, economic operators will be required to inform consumers of the existence and duration of any commercial guarantees, in addition to the legal guarantee of conformity. Directive (EU) 2024/825 came into force on March 26, 2024, and must be transposed by the EU Member States by September 27, 2026.

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Managing the Challenges of Hybrid and Remote Work

Remote work involves employees performing their tasks from locations outside the traditional office, typically from home. Hybrid work, on the other hand, combines both in-office and remote work, offering flexibility in work location. The COVID-19 pandemic significantly accelerated the adoption of these models, highlighting their benefits and challenges. As organizations continue to navigate this new landscape, addressing these challenges is crucial for maintaining productivity and employee satisfaction.

Challenges of Hybrid and Remote Work

- **Communication Barriers:** Effective communication is fundamental, but hybrid and remote work models complicate this aspect. The absence of face-to-face interactions can lead to misunderstandings and a lack of clear communication. Technological issues, such as unreliable internet connections or inadequate communication tools, further exacerbate these problems. Employees working from different locations might struggle to feel connected and engaged, impacting team cohesion and productivity.
- **Coordination Difficulties:** Coordinating tasks and schedules becomes more challenging when employees are dispersed. The lack of physical presence can lead to misalignment and inefficiencies in project execution. Hybrid teams often face difficulties synchronizing their work, resulting in delays and decreased productivity. Ensuring that everyone is on the same page requires additional effort and effective use of digital tools.
- **Maintaining Organizational Culture:** A strong organizational culture fosters a sense of belonging and engagement among employees. Remote employees might feel isolated or disconnected from their colleagues and the company's values. This fragmentation can hinder collaboration, innovation, and overall morale. Building and maintaining a cohesive culture in a hybrid environment is a significant challenge for leaders.
- **Innovation Hurdles:** Innovation thrives on spontaneous interactions and creative collisions, which are less likely to happen in a remote setting. The absence of casual office interactions can stifle creativity. Hybrid teams may find it harder to collaborate on innovative projects, leading to a potential decline in the generation of new ideas and solutions.
- **Monitoring and Productivity Concerns:** Monitoring employee productivity and ensuring accountability without resorting to micromanagement can be difficult. Trust is crucial, but so is the need for oversight. Remote work can make it harder to gauge employee performance and identify areas where support might be needed. Balancing trust and supervision requires careful consideration and effective strategies.
- **Employee Well-being and Mental Health:** Remote work can lead to social isolation and blurred boundaries between work and personal life, impacting employee well-being. Without the physical separation of home and office, employees might struggle to disconnect from work, leading to increased stress and burnout. Maintaining a healthy work-life balance is crucial for sustaining long-term productivity and job satisfaction.

Strategies to Manage Challenges

- **Enhancing Communication:** To overcome communication barriers, companies must implement diverse communication tools such as video conferencing, instant messaging, and collaboration platforms. Establishing clear "rules of engagement" for communication can help set expectations regarding the frequency, means, and timing of interactions. Regular check-ins and team meetings can ensure that everyone stays connected and informed.
- **Improving Coordination:** Creating structured daily check-ins and regular team meetings can improve coordination among hybrid teams. Project management tools can help track progress and ensure alignment. Clearly defined roles and responsibilities, along with transparent project timelines, can mitigate the risk of miscommunication and ensure that tasks are completed efficiently.
- **Fostering Organizational Culture:** Organizing virtual social interactions and team-building activities can help maintain a strong organizational culture. Leaders should promote a sense of belonging by encouraging informal conversations

and virtual gatherings. A robust onboarding process for new hires, including virtual meet-and-greet sessions and mentorship programs, can help integrate them into the company culture.

- **Encouraging Innovation:** Designing office spaces that encourage collaboration during in-person days can foster innovation. Scheduling regular brainstorming sessions and collaborative projects can help generate new ideas. Hybrid teams can also benefit from virtual collaboration tools that facilitate real-time discussions and creative problem-solving.
- **Monitoring Productivity:** Setting clear expectations and deliverables for remote workers is essential. Productivity tools and software can provide insights into employee performance without being intrusive. Regular feedback sessions and performance reviews can help managers support their teams and address any challenges promptly.
- **Supporting Employee Well-being:** Offering flexible work hours can help employees balance personal and professional responsibilities. Providing resources for mental health support, such as access to counseling services and stress management programs, can promote well-being. Encouraging regular breaks and promoting a healthy work-life balance are crucial for sustaining long-term productivity and job satisfaction.

While hybrid and remote work models present several challenges, strategic planning and proactive management can help address these issues effectively. By enhancing communication, improving

coordination, fostering organizational culture, encouraging innovation, monitoring productivity, and supporting employee well-being, organizations can create a resilient and productive hybrid work environment.

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Introduction of the Global Minimum Tax in Poland (Pillar 2)

Starting January 1, 2025, regulations concerning the so-called global minimum tax (Pillar 2) are expected to come into effect in Poland. The goal of this tax is to level the "tax competitiveness" of different countries by imposing an obligation on the largest corporate groups to pay a minimum tax of 15% regardless of where they operate.

Who will be subject to the global minimum tax?

The global minimum tax will apply to entities (including so-called establishments of foreign companies) that belong to international or domestic corporate groups with consolidated revenues of at least EUR 750 million in at least two of the last four fiscal years. However, the global minimum tax regulations will not apply to international organizations and non-profit organizations, among others.

How does the global minimum tax work?

Simply put, the global minimum tax involves imposing a top-up tax if a group's effective tax rate (ETR) in a given country is lower than 15%. It should be noted that the ETR is calculated on the basis of the net accounting income reported in the consolidated financial statements.

The draft law provides for three types of global minimum tax:

1. global top-up tax,
2. domestic top-up tax, and
3. top-up tax on under-taxed profits.

The global top-up tax will primarily apply to ultimate parent entities of international corporate groups located in Poland. As a general rule, the global top-up tax should be paid in Poland with respect to foreign entities whose effective tax rate is lower than 15%.

The domestic top-up tax will primarily apply to entities located in Poland that are part of international or domestic corporate groups if their effective tax rate in Poland does not reach the minimum level of 15%.

The top-up tax on under-taxed profits will primarily apply to entities in Poland when, for example, the ultimate parent entity is located in a country that does not implement the global minimum tax. This tax will cover entities whose effective tax rate is lower than 15%.

The global minimum tax may significantly affect entities benefiting from tax reliefs, such as those within the Polish Investment Zone (PIZ) or Special Economic Zones (SEZs). Pillar 2 could potentially negate the positive effects of these tax incentives.

Are there any simplifications or exemptions available?

The draft law provides for the possibility of using certain mechanisms to simplify or limit the application of Pillar 2, for example:

- newly established corporate groups whose ultimate parent entity is located in Poland can benefit from an exemption for the first 5 years if, among other conditions, the group's entities are located in no more than six countries (including Poland) and the total net book value of tangible fixed assets of all the group's entities does not exceed a specified level.
- Entities with economic substance (tangible assets and personnel) will be able to deduct the value of tangible fixed assets in a given jurisdiction and eligible wage costs from the tax base.

What's next?

For corporate groups, Pillar 2 represents not only an additional fiscal burden but also an obligation to collect and process data to meet compliance requirements and accurately calculate the tax. Therefore, we recommend that you promptly verify whether and to what extent your group is subject to Pillar 2.

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I invested in bitcoin in 2021 and now I decided to sell it. What are the tax consequences?

Portugal used to be considered as a tax heaven to crypto-assets' investors. In fact, contrary to many countries that have created a tax framework from the beginning of the crypto awakening, Portugal waited years and years until, in 2023, finally enshrined a tax regime of these assets. Excluded from this tax regime are Non-Fungible-Tokens (NFTs) and single crypto-assets, as well as the more conservative operations from investors who maintain a cryptocurrency portfolio untouched for a year. This latter option is not exempt from its critics, as the same is not true for other financial products, such as investment funds, shares and EFTs.

That being said, with the State Budget Law of 2023, Portugal ceased to be this country so appealing to crypto investors who want to trade. Since then, any income that derives from crypto-assets is considered to be capital gain ("category G") if crypto-assets received are sold. The positive balance of capital gains and losses arising from the disposal of the said assets are taxed at a fixed rate of 28% (unless the taxpayer decides to include this income with the other income received, being taxed at a general tax rate, in that scenario).

Without prejudice, any gains arising from the disposal of crypto-assets held for 365 days or more are exempt from taxation (unless the beneficiaries or paying entities are resident in a country or jurisdiction without an instrument for the exchange of information). This waiver does not exempt these investors from having to declare the transaction, as this income must be included in the PIT Declaration, even though not taxed.

On the other hand, any income related to crypto-assets, such as interest resulting from long-term investment, qualifies as capital gains ('category E').

It is also important to emphasise that if any taxpayer decides to leave the country, they will be subject to capital gains tax and will have to pay PIT on the difference, if positive, between the market value at the time and the acquisition value ('category G'). This exit tax is expected to generate a lot of litigation, as the Portuguese state considers the loss of residence status to be equivalent to an onerous transfer of crypto-assets. This may be seen, naturally, an attack on freedom of movement and establishment.

The ordinary carry-forward regime of losses shall also apply (unless the beneficiary or the payer is domiciled in a blacklisted jurisdiction), which means that any negative balance between capital gains and losses can be carried forward for 5 years if the taxpayer does not exceed €200.000 of gross business income in the previous.

Operations related to the issuance of crypto-assets, including mining or the validation of crypto-asset transactions through consensus mechanisms, are now considered to be a business and a professional

activity (“category B”) taxed for Personal Income Tax purposes at general tax rates that can be up to 48%.

At least, even the free transfers of crypto-assets will now be covered by item 1.2 of the General Stamp Duty Table, being taxed at a rate of 10% – here, based on the market value at the time of the donation (since the market fluctuates all the time) and the provision of services related to crypto-assets, which are taxed at 4%.

It is also important to underline that the Portuguese PIT Code describes as a crypto-asset any digital representation of value or rights that can be transferred or stored electronically using distributed ledger or similar technology. That means that the NFTs and single crypto-assets remain not taxed. NFTs are not included in this definition because, not being fungible, they can't be exchanged for others of the same kind. In fact, what we are buying is the right of ownership to a unique digital asset. However, as this seems to be an area that is generating a lot of income, it is expected that the legislator will take notice of this lack of legislation and amend it.

At least, answering the question that named this article, if I want to sell in 2024 bitcoins bought in 2021, I will not be taxed for Portuguese PIT purposes. However, this operation should be included in my 2024 PIT Declaration and, with regard to the documentation, that may have to be presented to support these transactions, the Tax Authorities recommend to keep the print screens from these operations.

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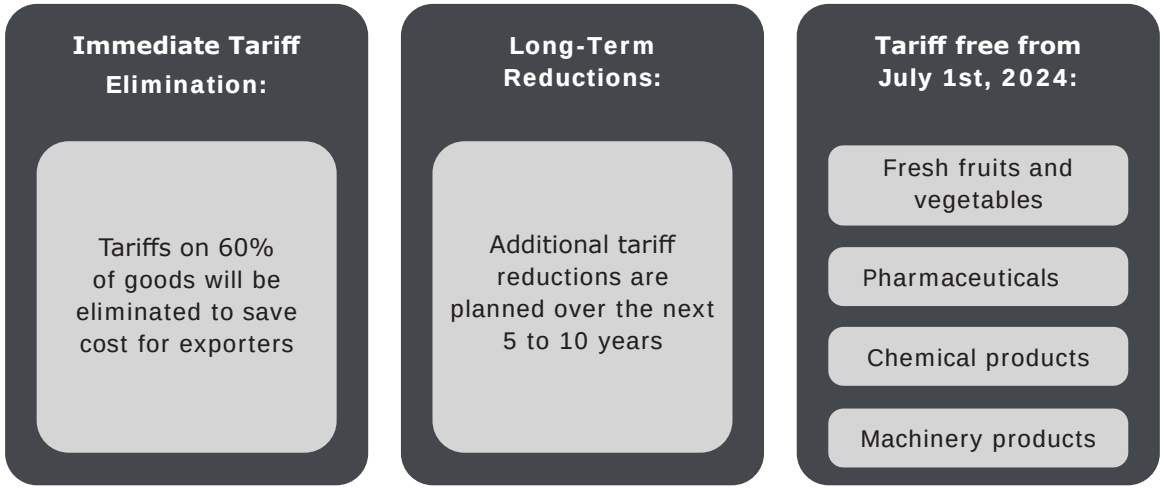
Unprecedented Opportunities with Serbia-China Free Trade Agreement

The Free Trade Agreement between Serbia and China, effective July 1, 2024, opens up a significant opportunity for Serbian businesses by granting preferential access to the vast Chinese market of 1.4 billion consumers. Covering over 20,000 products, this agreement is poised to boost Serbian exports and integrate local businesses into China's global supply chain.

Key Benefits of the Serbia-China Free Trade Agreement

Signed in October 2023 by Serbian and Chinese trade ministers in Beijing, the Free Trade Agreement eliminates tariffs on 60% of goods initially, with further reductions planned over the next 5 to 10 years. As of July 1st, Serbian exports to China, including fresh fruits and vegetables, pharmaceuticals, and chemical and machinery products, will enjoy tariff-free status (see the table below).



Opportunities for Serbian Businesses

To take advantage of the Free Trade Agreement, companies must prove that over 50% of the value of their exported goods originates in Serbia. This requirement presents a significant opportunity for investors to access the world's largest market. With this agreement, Serbia joins Switzerland and Georgia as the only European countries with similar trade deals with China.

To conclude with, the Serbia-China Free Trade Agreement intends to unlock new growth opportunities for businesses in the expansive Chinese market.

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The metaverse and AI: challenges and opportunities in the new digital economy

The metaverse continues to exist among us, even though it is AI that is capturing media attention. The concept is evolving, but we continue to speak of digital worlds where it is possible to interact and carry out a multitude of actions. They are also seen as spaces in which organisations and brands can develop their projects and businesses.

We already know that the metaverse includes various technologies, such as Blockchain, cryptocurrencies or generative AI, that are closely related to each other.

Although there is not one single type or classification, metaverses can be classified into centralised or decentralised. In centralised metaverses, there is an entity or platform regulating them and which has information on the users, such as, for example, Meta®, whereas decentralised metaverses are characterised by the assignment of the control to the users, who decide on the future of digital platforms.

In centralised and closed environments, such as Meta®, SecondLife®, Fortnite® or Axie Infinity®, interactions take place within a closed delimited framework where the basic relationship is between the user and the creator of the virtual world.

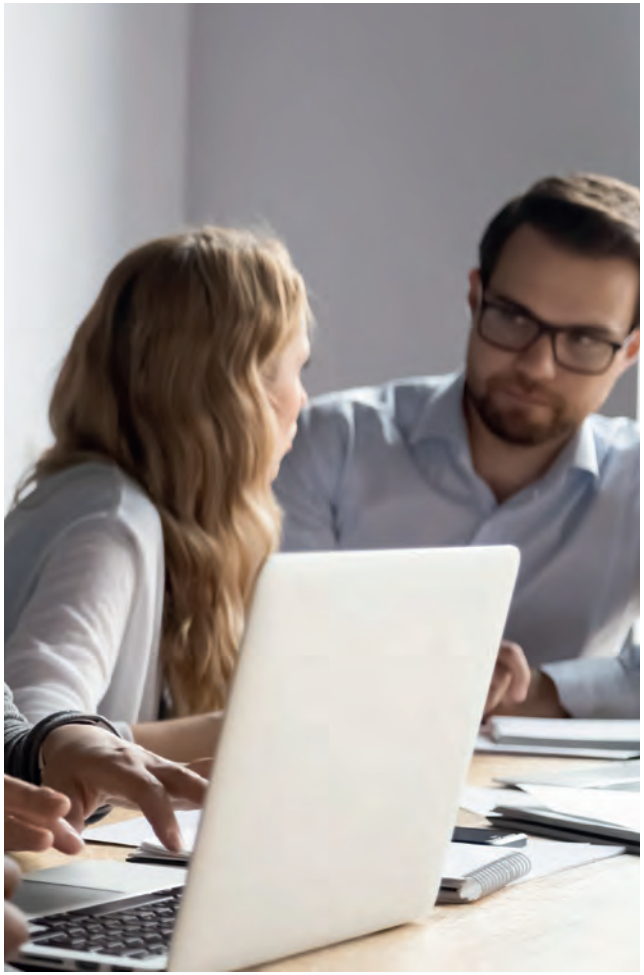
In contrast, in decentralised and open environments (such as The Sandbox® or Decentraland®), individual interaction and unique experiences taken on significant importance, notwithstanding the fact that there is an initial moment (access registration) which establishes the connection between the real physical/legal person and their avatar (digital identity). This could also be defined as a collective virtual space, created by the convergence of the virtually improved digital and physical reality. In other words, it is independent from the device used and does not belong to one single provider.

It is an independent virtual economy, based on digital currencies and non-fungible tokens (NFT), where technologies such as Blockchain are the protagonists and, in addition, they have a high level of security in the traceability of any operations performed, as well as the transparency and integrity of any data processed, a fact that, in all likelihood, will be used with the Tax Authorities of different countries for controlling and combatting tax fraud.

There are many relevant aspects to be taken into account when regulating the metaverse such as, for example, those relating to intellectual property, contractual relations and their defence, among others.

On a tax level, multiple questions arise, but it should be noted that a large part of the regulating of the “real” world will be applicable, although it will be adapted to these digital platforms.

For example, it will be necessary to define how to tax the sale/purchase of virtual properties, the delivery of virtual courses, the sale of digital content and the implications of direct (Personal/Corporate Income Tax) or indirect (Transfer Tax/VAT) taxes, as well as the place of the provision of any virtual services. All this will imply the need to adapt tax systems to the



new business models that the metaverse involves and that any taxation must be related to the legal classification of the operations carried out in the virtual world.

As regards the information to be provided to the Tax Authorities, the main players of centralised (or closed) metaverses will be the entities or platforms supporting them, whereas in decentralised (or open) metaverses, responsibility must lie with the users, who are the ones that will perform the operations that could trigger a taxable event.

We are in the presence of a moment in history in which the digitalisation of the economy, also referred to as Web3, is a new stage of development in the Internet, which will continue (and in fact already is continuing) with the Metaverse, which implies new ways of doing business and creating value in this new virtual economy parallel to the traditional or “real” one.

Finally, it is important to state that co-operation and multilateralism between States, as well as collaboration between the public and private spheres, is the only way of suitably regulating this new digital economy, as well as fighting against tax fraud and money laundering, including in virtual worlds. Thus, those States already working on this must create the appropriate legal frameworks, based on multilateral agreements regulating and promoting these new digital business models, including the metaverse, and guaranteeing security and privacy for users in all the various aspects, naturally including taxation.

What we are convinced of is that the new digital economy is already providing us with great challenged and opportunities and, as always, virtual reality tends to be ahead of regulatory standards.

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Proposed Changes to Personal Income Tax Exemption on Severance Pay

The Ministry of Finance has put forward a draft ministerial regulation to revise the personal income tax exemption on severance pay. This proposal aims to update the existing threshold established in clause 2(51) of Ministerial Regulation No. 126 (B.E. 2509), as amended by Ministerial Regulation No. 217 (B.E. 2542).

Current Exemption

Under the current ministerial regulation, employees receiving severance pay in accordance with the Labor Protection Act B.E. 2541 and State Enterprise Relations Act B.E. 2543 are eligible for tax exemption. This exemption applies to the portion of severance pay not exceeding the salary for the last 300 working days, with a maximum limit of 300,000 baht. Notably, this exemption excludes severance pay received due to retirement or the expiration of fixed-term employment contracts.

The existing regulation aligns with Section 118 of the Labor Protection Act B.E. 2541 (No. 1), which mandates severance pay for employees with over 10 years of continuous service.

Legislative Changes

The Labor Protection Act B.E. 2562 (No. 7) amended Section 118, introducing a new severance pay rate for employees with over 20 years of continuous service. This amendment increased the severance pay to not less than the salary for the last 400 working days.

Proposed New Exemption

In response to these legislative changes, the Ministry of Finance has drafted a revised ministerial regulation. The key changes in the draft revised ministerial regulation are:

1. Increasing the tax-exempt portion of severance pay to the amount not exceeding wages or salary for the last 400 working days.
2. Raising the maximum exemption limit from 300,000 baht to 600,000 baht.
3. Applying the new exemption to severance pay received from 1 January 2023 onwards.

Objectives

The proposed changes serve two main purposes:

1. Aligning the tax exemption regulations with the amended Labor Protection Act B.E. 2541.
2. Providing tax relief to employees facing termination, especially in light of economic challenges.

Implementation Status

The Cabinet has approved the draft revised ministerial regulation. It will come into effect upon publication in the Royal Gazette.

This revision aims to update the tax exemption on severance pay to reflect recent changes in labor law and to provide increased financial support to employees during employment transitions.

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THE LEGAL

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What Changes are Set Forth in the Turkish Commercial Code?

he Law on Amending the Turkish Commercial Code and Certain Laws, numbered 7511 (Amending Law), has been published in the Official Gazzette dated 29 May 2024 and a series of changes that will lead to significant transformations in the business world have entered into orce. With the Amending Law, the innovations and conveniences we will encounter in the field of commercial law are summarized for you below:

- The phrase "every year" previously found in Article 366 of the TCC made it mandatory for joint stock companies to hold elections for the chairperson and vice-chairperson of the board of directors annually, resulting in the board being left without a chairperson and vice-chairperson if elections were not held the following year. The Amending Law sets forth aligning the election of the chairperson and vice-chairperson in joint stock companies with the term of the board of directors. With this change, the chairperson and vice-chairperson can be appointed for the term of the board, eliminating the need to repeat this process annually.
- In light of the above explanations, joint stock companies will no longer have to repeat the processes of deciding on the distribution of duties for the chairperson and vice-chairperson from among the board members and registering this decision with the trade registry every year; thus, it is expected that there will be no disruptions or vacancies in management.
- In the previous regulation, under Article 375 of the TCC, the appointment and dismissal of managers and signatories are among the non-delegable authorities of the board of directors. This situation could lead to issues such as restricting the ability to act according to business needs and making quick decisions, especially in the processes of appointing and dismissing branch managers. Under the changes in the Amending Law, the appointment and dismissal of branch managers and signatories will be removed from the non-delegable authorities of the board of directors and will be subject to delegation. Thus, businesses will be able to appoint and dismiss necessary individuals more quickly without a board decision. This change is considered an important step to enhance the operational efficiency and competitive strength of businesses.
- The Amending Law also brings significant changes regarding the calling of board meetings in the TCC. Under the previous regulation, Article 392 of the TCC, there were some ambiguities regarding the calling of board meetings, which could hinder decision-making processes. In the current situation, due to the lack of a specific period and method for calling meetings, it was difficult to hold meetings in a timely and effective manner. To address these issues, the Amending Law mandates that a meeting call must be made by the chairperson of the board within thirty days from the date the written request is received by the majority of the board members. If this call does not reach the chairperson or vice-chairperson, the call can be made by the board members who requested it.
- As will be recalled, the Presidential Decree published in the Official Gazette dated 25 November 2023 and numbered 32380 made changes to the minimum capital amounts for joint stock and limited companies in the TCC. The Decree stipulated that, effective from 01.01.2024, the minimum capital amounts for joint stock companies are 250,000 Turkish liras, for non-public joint stock companies that have adopted the registered capital system are 500,000 Turkish liras, and for limited companies are 50,000 Turkish liras. The Amending Law imposes the obligation for joint stock and limited companies established before 01.01.2024 with capital below the minimum thresholds set by the Decree to increase their capital to the specified minimums. However, companies in this situation will be given until 31.12.2026 to comply with the new regulations. Sanctions re also foreseen for ensuring compliance with this process; if existing companies do ot adjust their capital to the new regulations by the specified date, their trade registry records will be deleted, and the companies will enter liquidation.

- Additionally, a different regulation is proposed for non-public joint stock companies that have adopted the registered capital system. These companies will only be considered to have exited the registered capital system as long as their issued capital is 250,000 Turkish liras or more. However, if their issued capital falls below 250,000 Turkish liras, these companies will also enter liquidation with the deletion of their trade registry records. With these changes, it is aimed to ensure certainty and reliability in the minimum capital amounts of companies.
- Another regulation introduced with the Amending Law is that in reinstatement lawsuits filed against trade registry offices by companies and cooperatives, the trade registry offices will not be held liable for litigation expenses if the lawsuits are accepted.

The regulations introduced to the TCC by the Amendment Law have come into effect as of 29 May 2024, the publication date of the Amendment Law.

In today's fast-changing commercial world, it is of great importance for companies to make quick and effective decisions. It can be said that the changes regarding the delegation of board authorities in the Amending Law aim to make internal company mechanisms work more efficiently. Additionally, extending the distribution of board duties from annually to up to three years is a well-placed step to prevent administrative and legal gaps. With the new regulations, the situation of companies with capital below the minimum amount will also be clarified. Overall, the Amending Law is expected to accelerate companies' decision-making processes, reduce administrative burdens, and facilitate long-term planning. You can reach to the Amending Law from here (only available in Turkish).

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CBUAE's foreign assets cross Dh750 billion

In April 2024, foreign assets experienced a notable uptick, surging by 2.55% to reach Dh750.29 billion by month-end. This marked a significant increase from Dh731.62 billion recorded at the close of March, underscoring robust growth in foreign asset holdings over the course of the month.

The Central Bank of the UAE (CBUAE) reported a historic milestone as its balance sheet surged by 25% year-on-year, reaching a record high of Dh789.82 billion. This significant increase marks the first time in its history that the CBUAE's balance sheet has surpassed this milestone, highlighting substantial growth and expansion in its financial operations.

In the first four months of the year, the CBUAE's balance sheet increased by 9.6%, rising from Dh720.9 billion at the end of last year to Dh789.8 billion. On a monthly basis, the balance sheet grew by 2.4%, or Dh18.6 billion, from Dh771.23 billion in March.

Assets on the balance sheet included Dh362.66 billion in cash and bank balances, approximately Dh214.3 billion in investments, Dh174.16 billion in deposits, Dh1.73 billion in loans and advances, and Dh36.96 billion in other assets.

Liabilities and capital totaled Dh343.26 billion for current and deposit accounts, around Dh259.92 billion for monetary bills and Islamic certificates of deposit, Dh146.79 billion for issued banknotes and coins, Dh24.75 billion for capital and reserves, and Dh15.1 billion for other liabilities.

Investments by banks operating in the UAE reached Dh666.2 billion by April 2024, a 0.3% monthly increase and a 5.0% increase since the beginning of the year. This represents a 21% rise compared to April last year, with investments including Dh270.5 billion in debt securities, Dh16.6 billion in equities, Dh328.5 billion in held to maturity securities, and Dh50.6 billion in other investments.

Gross banks' assets, including bankers' acceptances, grew by 1.0% from Dh4.254 trillion in March to Dh4.296 trillion in April. Gross credit expanded by 0.8% to Dh2.063 trillion by April's end, driven by a 0.7% increase in domestic credit and a 1.4% rise in foreign credit. Domestic credit growth stemmed from a 4.7% increase in credit to the government sector and a 0.4% rise in credit to the private sector, counterbalancing declines of 0.5% and 3.8% in credit to public sector entities and non-banking financial institutions, respectively.

In April, monetary deposits at CBUAE increased by 1.74%, totaling Dh764 billion compared to Dh750.9 billion in March. Government deposits rose to Dh508.8 billion, while quasi-monetary deposits reached Dh1.256 trillion.

Currency issued in April amounted to Dh146.8 billion, with banks holding Dh18.4 billion and Dh128.4 billion circulated outside banks.

The monetary base expanded by 1.5% to Dh714.3 billion, comprising Dh146.8 billion in currency issued, Dh183.1 billion in reserve accounts, Dh124.5 billion in banks and OFCs' current accounts, and Dh259.9 billion in certificates of deposit and monetary bills.

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English schemes of arrangement for foreign companies

WHAT IS A SCHEME OF ARRANGEMENT (SOA)?

A SoA is a process regulated under Part 26 of the Companies Act 2006 whereby a company can make an arrangement with its creditors or members to pay back part or all of its debts. This procedure can be used by insolvent or solvent companies.

The scheme must be approved by creditors comprising a majority in number, representing at least 75% of the value and it will be bound on all creditors, even if they vote against it or chose not to vote.

HOW IS THE PROCESS OF A SOA?

1. **Making an application**

   The Scheme of Arrangement's procedure begins with an application at Companies Court (CC), which can be promoted by any of the following:

   - Any creditor of the company;
   - The company itself;
   - Any member of the company;
   - If the company is in administration, the administrator;
   - If the company is being wound up, the liquidator.

2. **CC verifies whether the SoA meets the necessary legal requirements.**

   Creditors must act in good faith during the proceedings, and the terms of the agreement (SoA) must be reasonable to an honest and intelligent person.

3. **Deliver a copy of the Soa at the Registrar of Companies.**

   If the SOA is sanctioned, the court's order must be then submitted for registration at the Registrar of Companies and once registered, it will be enforceable.

CAN A FOREIGN COMPANY USE AN ENGLISH SOA AFTER BREXIT?

Yes it can, provided it has sufficient connection with England and Wales. The concept of "sufficient connection" has been interpreted in a broad sense by the British courts.

The UK courts have sanctioned SoAs agreed by foreign companies using the following non-exhaustive criteria when:

- A clause of exclusive submission to the British courts has been agreed by the counterparts.
- Credits affected by the SoA are subject to the English Courts.
- The debtor has an establishment within the UK.
- Most creditors are domiciled within the UK.
- The foreign company has assets under English jurisdiction.

WHY FOREIGN COMPANIES CAN BE INTERESTED IN APPLYING TO A SOA UNDER UK JURISDICTION?

- Speediness of English courts.
- The SoA provides flexibility with a high degree of procedural and commercial certainty for all involved, including creditors.
- Once the SoA is approved it will be binding on all creditors.

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