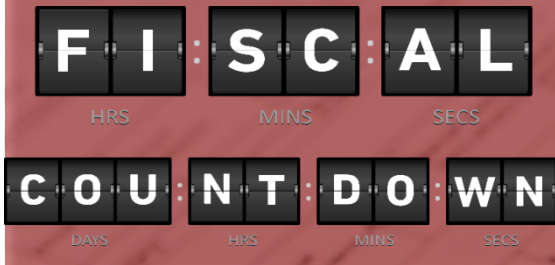


INTRODUCTION OF THE BEPS INITIATIVE AND INTERNATIONAL TAX NEWS

March 2018



International Tax

INTRODUCTION

The **Fiscal Count down**, a monthly summary of international tax news, provides you with regular insights into the introduction of the OECD's BEPS initiative and the ongoing international tax reforms. This Twenty Third edition deals with the new measures published in March by the OECD, the EU, and in 38 countries: Australia, Bahrain, Belgium, Canada, China, Columbia, Costa Rica, Denmark, France, Honduras, Hong Kong, India, Indonesia, Italy, Iraq, Kenya, Qatar, Lesotho, Liechtenstein, Luxembourg, Namibia, Netherlands, Nigeria, Oman, Panama, Poland, Puerto Rico, Russia, Saudi Arabia, Serbia, Singapore, South Korea, Sweden, Switzerland, Turkey, Uganda, the UK and the USA.

OECD

The OECD released the third batch of peer review reports relating to the implementation by the Czech Republic, Denmark, Finland, Korea, Norway, Poland, Singapore, and Spain of the BEPS Minimum Standards on Action 14 on improving tax dispute resolution mechanisms. Also, the OECD announced that it is now gathering input on the implementation of the BEPS Action 14 Minimum Standards in the fifth batch of jurisdictions (Estonia, Greece, Hungary, Iceland, Romania, Slovak Republic, Slovenia and Turkey). What is more, the OECD released Spain and Norway peer review report on implementation of Action 14 minimum standard.

Anguilla joined the BEPS Inclusive Framework bringing to 113 the total Members in the framework. The OECD indicated that the BEPS Multilateral Convention will enter into force on 1 July 2018 for first five jurisdictions. The OECD released an interim report on the tax challenges arising from digitalization. This report, which, for the moment, highlights the absence of true international agreement on the matter, lays the groundwork for moving towards a consensus-based solution by 2020.

OECD (CONTINUED)

The OECD released the final guidance on the attribution of profits to permanent establishments. The OECD announced that Slovenia has deposited its instrument of ratification, acceptance or approval of the *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS* (the MLI), becoming the fifth jurisdiction to do so. Finally, Cayman Islands and Guernsey signed a Competent Authority Agreement to exchange Country-by-Country (CbC) reports.

EU

The European Commission announced that it is moving ahead with proposals to implement both a Directive on digital permanent establishment ("**digital PE**") and an interim targeted turnover tax. In respect of the Directive, the following thresholds will determine whether an entity will have a digital PE:

- (a) revenues from digital services in a Member State exceeding €7 million;
- (b) more than 100,000 users in a Member State in a taxable year; or
- (c) more than 3,000 business contracts for digital services between the entity and business users in a taxable year (a new proposal).

The Commission opens infringements procedures against Cyprus, Greece and Malta on the levying of VAT on yachts.

EU adopts directive on mandatory disclosure of aggressive tax planning schemes.

EU Commission proposes flexibility over VAT rates for small businesses.

EU (CONTINUED)

In *Stadion Amsterdam CV v Staatssecretaris van Financiën C-463/16*, the Court of Justice of the European Union (CJEU) has confirmed that, in the absence of specific statutory language to the contrary, a single supply, which includes two individually priced elements, is taxable at the rate of the principle supply.

EU AG issues opinion on Danish withholding tax on dividends and interest.

EU27 release draft Brexit negotiating guidelines.

UK and EU negotiators publish joint text of Brexit Withdrawal Agreement.

CJEU rules Lithuanian tax authorities to pay interest on VAT overpayment.

European Commission adopts first counter-measures on listed non-cooperative tax jurisdictions.

Australia

Australia releases revised exposure draft on hybrid mismatch tax rules including integrity and branch measures for public consultation.

Bahrain

Bahrain removed from EU list of uncooperative jurisdictions for tax purposes.

Belgium

Belgian Constitutional Court annuls Fairness Tax, limits recovery of unduly paid tax.

Belgium introduces 100% participation exemption.

Canada

The recently released Canadian federal budget ("Budget 2018") includes certain international income tax measures that will impact both Canadians investing or carrying on business outside of Canada and foreigners investing or carrying on business in Canada.

China

China's State Administration of Taxation (the SAT) released SAT Public Notice [2018] No. 9 (PN 9), providing guidelines in determining a beneficial owner (BO) qualification under dividends, interest and royalties articles of tax treaties. PN 9 becomes effective as of 1 April 2018.

Columbia

Colombia signs tax treaty with Italy.

Costa Rica

Costa Rica's tax authorities issue resolution on the dates to comply with general obligation to use electronic vouchers.

Costa Rica's Congress approves fast-track approval process for tax reform bill.

Denmark

Danish Government publishes bill on tax exempt cross-border reorganizations.

France

France and Luxembourg sign a new double tax treaty.

Honduras

Honduran Executive Power submits to Congress a bill to reform 1.5% alternative minimum income tax.

Hong Kong

Hong Kong released the budget proposal for the country's tax year beginning 1 April 2018 (the Budget). The Budget includes a proposal of super tax deductions for expenditures on qualifying research and development (R&D) activities, relaxation of the proposed tax exemption to onshore privately-offered open-ended fund company (OFC), introducing a limited partnership regime for private equity funds, and extension of the tax exemption to cover debt securities among other measures.

Hong Kong Inland Revenue Department launched the CbC Reporting Portal (the Portal) to facilitate CbC reporting. The Portal enables Hong Kong constituent entities to submit notifications, filing of reports and related communications. Hong Kong Ultimate Parent Entities (UPEs) of MNE groups subject to CbC reporting can now voluntarily file CbC reports for reporting fiscal years 2016 and 2017 (i.e., accounting periods beginning between 1 January 2016 and 31 December 2017) via the Portal.

Hong Kong and India signed their first income tax treaty.

Hong Kong passed a legislation for two-tier profits tax rates regime.

India

India's GST Council recommends implementation of e-way bill, extension of tax exemptions for exporters and continuation of current compliance mechanism.

Indonesia

Indonesia issues debt-to-equity ratio implementing regulation.

Italy

Italy launches public consultation regarding implementation measures for transfer pricing provisions. Italian Tax Authorities clarify requirements to benefit from reduced treaty rate on dividends under Italy-US treaty.

Italian Budget Law introduces mandatory E-invoicing.

Iraq

Iraq Government issues 2018 Federal Budget.

Kenya

Kenya's High Court ruling stops placement of excise stamps on certain goods.

Qatar

Qatar to implement VAT during the second half of 2018.

Lesotho

Lesotho issues 2018 budget with VAT rate increase proposed from 1 April 2018.

Liechtenstein

Liechtenstein releases consultation report on implementation of anti-avoidance rules into tax law.

Luxembourg

The bill of Law n°7163 implementing the new tax regime applicable to intellectual property assets (the “**new IP regime**”) was approved by a first constitutional vote on 22 March 2018 and should be exempt from the second constitutional vote.

Namibia

Namibia issues 2018 budget.

Netherlands

Amendments introduced to the Netherlands-Ukraine tax treaty.

Nigeria

Nigeria increases excise duty on certain products.

Oman

Oman’s Tax Authority declares withholding tax applicable on all payments to foreign persons for services, regardless of place of performan.

Panama

Panama establishes new process for corporations obtaining a tax identification number.

Panama confirms to EU that it is committed to amending call center regime.

Poland

On 15 March 2018, the Minister of Finance signed and published a Decree on the extension of deadlines for performing certain obligations with respect to local transfer pricing (TP) documentation.

The purpose of the Decree is to extend by six months the time limits for:

- Preparation of the Local File documentation
- Confirmation of the preparation of Local File documentation
- Submission of a simplified Corporate Income Tax (CIT)-TP and Personal Income Tax-TP report

Without the extension, the above obligations would be due within the deadline for submitting the annual tax return for a given year. The deadline for submitting the return is by the end of the third month of the following tax year (e.g., the return should be filed by the end of March 2018 for the year ending 31 December 2017). In light of the Decree, the actual deadline is by the end of ninth month of the following tax year.

Poland (Continued)

The extension of the deadlines covers the above-mentioned obligations arising in 2018 (i.e., with reference to Local File documentation, confirmation of preparation of local documentation within the deadline and the CIT-TP statement for 2017) and 2019 (i.e., with reference to Local File documentation, confirmation of preparation of local documentation within the deadline and the CIT-TP statement for 2018).

Puerto Rico

Puerto Rico’s Treasury Department issues guidance for e-filing of corporate income tax returns for tax year 2017.

Puerto Rico’s Treasury Department issues guidance on mandatory e-filing of requests for extensions to file 2017 income tax returns.

Russia

Russian Finance Ministry communications clarify imposition of withholding tax on international transportation services.

Saudi Arabia

Saudi Arabia’s Tax Authority clarifies statutory deadline for filing an appeal against final assessment order.

Saudi Arabia’s Ministry of Finance issues Circular regarding payment of VAT on costs incurred by government entities.

Serbia

The Serbian Ministry of Finance has published two new rulebooks in connection with the application of the Corporate Income Tax Law.

Singapore

Singapore plans to increase GST rate and introduce GST on imported services.

Singapore publishes Country-by-Country Reporting regulations.

Singapore enacts transfer pricing documentation requirements and publishes updated transfer pricing guidelines.

South Korea

Korea promulgates Enforcement Decree for 2018 tax reform bill.

South Korea announces major changes in tax rules.

Sweden

The Swedish Parliament passed the bill introducing a new excise tax on flights (the flight tax) at the end of November 2017. The new *Law (SFS 2017:1200) on excise tax on flights* will be effective as of 1 April 2018.

Swedish Ministry of Finance proposes amendments to CFC legislation.

Sweden (Continued)

Sweden proposes draft bill with major corporate income tax changes.

Switzerland

Swiss Federal Council publishes revised bill together with dispatch on Tax Proposal 17.

Turkey

New VAT liability on non-residents supplying services electronically.

Uganda

Uganda issues guidelines on VAT treatment of aid-funded projects.

UK

UK issues position paper update on corporate tax and the digital economy.

USA

US President Trump imposes tariffs on steel and aluminum products – Mexico and Canada excluded.

President Trump also signed a memorandum that marks the start of a multi-faceted trade offensive against China designed to respond to the Administration's findings of misappropriation of US intellectual property and discriminatory technology licensing practices.

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