



Grant Thornton

An instinct for growth™

A global guide to business relocation

2015



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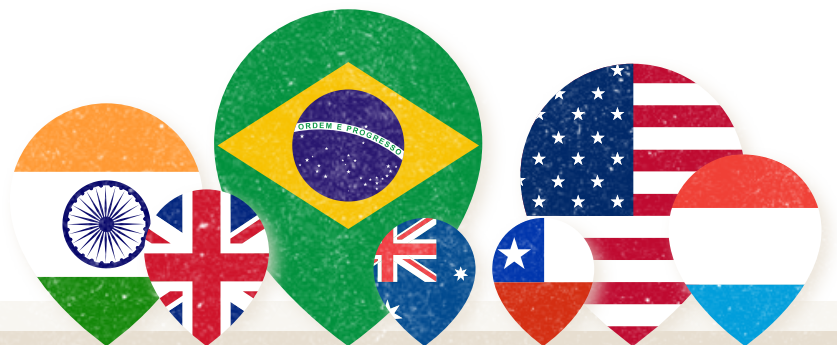
Introduction

Many companies from large multinationals to entrepreneurial businesses are choosing to relocate part or all of their operations to new territories. There are a number of cost and commercial reasons why a group may consider relocating, but it is also important to understand the consequences.

The key to successful business relocation is early planning, clear commercial objectives and careful execution. Our relocation guide provides pragmatic advice for executives, including outlining the drivers of relocation, the types of activity commonly relocated and the commercial, cost and tax factors of popular relocation destinations.

Grant Thornton member firms around the world have significant experience in advising clients on how their businesses can benefit from relocation. The highest profile cases involve full corporate migrations or inversions – the head office and holding company structure transferring to a new jurisdiction. However the options are numerous and the right answer may be much simpler, from setting up a regional hub to offshoring support services.

We hope you will find this guide useful in assessing whether business relocation is right for you. If you would like to discuss the next steps please contact your own Grant Thornton adviser or one of the Grant Thornton contacts listed.



Relocation options

Governments continue to use investment incentives and simplified compliance arrangements to attract successful, entrepreneurial businesses. However, the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) initiative which seeks to ensure the tax system keeps pace with the shift towards an increasingly borderless digital economy, is likely to impact on worldwide tax rules. While still under development it could eventually lead to significant tax change affecting relocation. Grant Thornton is playing an active role in the discussions and consultations on this issue making us well placed to help you navigate the considerable current complexity and mitigate risk.

What is business relocation?

Whilst most people instantly think of full corporate migrations for business relocations, there are a number of much simpler options which can also achieve excellent efficiencies and cost savings.

Determining the right structure and location for a business requires assessing numerous competing factors and will be individual to each group, but some common examples are:

Full migration

This type of relocation has been highlighted by some high profile migrations and can be either a relocation of headquarters or holding company or both. A migration of the holding company typically involves an inversion, whereby a new holding company is set up above the existing group holding structure. However, it can sometimes be achieved by migrating the management and control of a holding company to a different jurisdiction.

Whilst the benefits can be significant, for example, moving to a country with a simpler tax and legal framework, there can be issues in terms of exit costs and there needs to be a strong appetite for change to make this relocation work. It is also important to consider any reputational challenges.

Use of Intellectual property (IP) holding companies and regional hubs

Increasing use is being made of IP holding regimes by many international groups. Such companies are responsible for the ongoing development, protection and exploitation of IP or development of regional business.

Given the need for IP protection and the significant income it can generate, groups are considering the best place to locate these assets to maximise protection and manage tax in the most efficient way.

As the OECD BEPS initiative continues to develop through 2015 the impact on the way cross-border activities take place will inevitably change as governments look to counter what they see as harmful tax practices more effectively.

Offshoring

There can be significant cost savings through offshoring. In its simplest form offshoring could be the relocation of a support function overseas. Increasingly, this has been extended to more value-add functions including research and development (R&D) centres and treasury companies. For the former, such centres may be located where there is a wealth of technical staff, efficient tax arrangements and incentives to encourage investment.

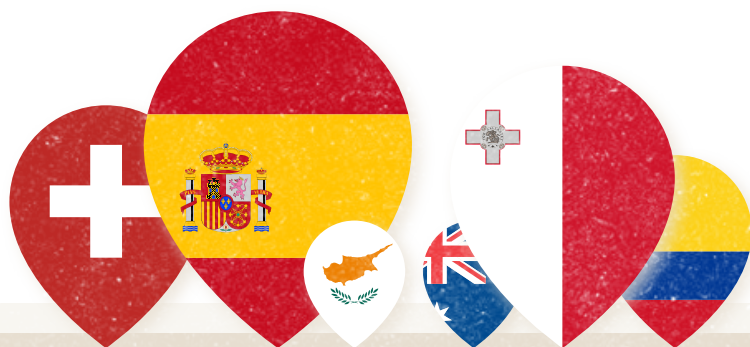
Changing the risk model

Where it is not appropriate to physically relocate certain functions, then an alternative may be to operate through a commissionaire, franchising or licence model. Under such an arrangement, the risks borne by the local distribution or manufacturing entity may be substantially reduced. This in turn can limit the profits attributable to these entities, with increased profits being generated by the entrepreneur company. This involves limited physical disruption to the business. It is worth noting that commissionaire arrangements have been a concern of tax authorities for a number of years and they have now become one of the higher profile issues within the OECD BEPS initiative.

What drives business relocation?

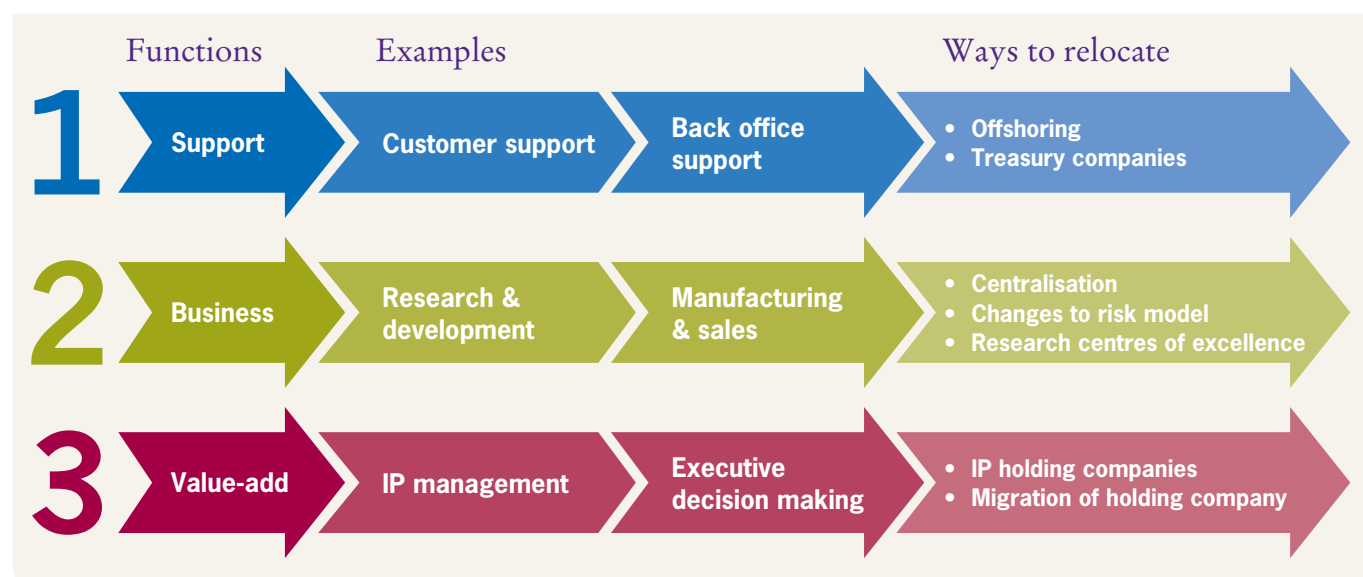
There are significant potential benefits to relocating abroad – access to markets, simplified compliance and cost savings are cited as key reasons. The popularity of business relocations is driven by a series of global economic factors:

- **globalisation:** the disparity in growth rates between emerging markets and mature economies is accelerating the pace of globalisation, as companies seek to access capital, goods or markets in different regions of the world. There is also a growing pool of internationally mobile employees willing to relocate for these opportunities
- **slow economic recovery:** pressure on businesses to reduce costs continues as they continue to respond to the last global recession. There can be significant operational and administrative benefits arising from centralising functions and relocating them offshore to an appropriate location, while tax cost might also be lower
- **increased compliance burdens:** other regimes, particularly in the G20 economies, are introducing complex compliance systems to control behaviour and discourage loss of tax revenue across borders. This is creating a huge compliance burden for groups and arguably is accelerating the migration of businesses away from those jurisdictions
- **competitive advantage:** as more corporate groups take advantage of the opportunities arising from relocation, it is important to maximise value by reducing costs, thereby keeping a competitive advantage
- **tax incentives:** many governments are adjusting their tax regimes to help encourage companies to relocate and create jobs within their markets. Particular areas of focus include IP management and other high-value functions. Where commercial activities are located in these jurisdictions, overall effective tax rates might benefit from such incentives
- **other:** a number of other factors can also be considered when relocating including, local business environment; government incentives; personal and corporate liability; culture; governance; language; political reasons, social stability and ease of inward investment amongst others.



What activities can be relocated?

A group's typical supply chain has three key aspects and examples of functions and ways to relocate these are set out below:



1 Support functions

Offshoring:

Relocation of routine functions such as support services is common and is often relatively straightforward. Typically the moves are driven by operational savings and low costs. An example of this is Malta, a popular offshoring location.

Treasury companies:

Treasury companies have widely been used in group structures to manage and pool the cash facilities for the group to maximise the return on surplus cash, mitigate risk and minimise the expense on overall group debt. Careful consideration should be given to the preferred location which will be driven by commercial factors, but also by the tax treatment on the interest. Withholding tax (WHT) costs should be understood when choosing a location as these can give rise to significant tax leakage on interest flows if not managed properly.



2 Business functions

Centralisation:

Typically the location of volume-adding functions is driven by commercial factors such as the location of suppliers, customers and a skilled workforce. However there may still be opportunities to centralise these in a cost- and tax-efficient regional hub. These structures must always be commercially driven.

Change to the risk model:

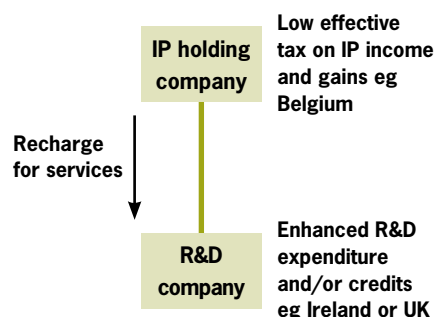
Where it is not commercially viable to relocate volume-adding functions, these can be restructured using a different model such as franchising and licencing.

An optimised group restructure could involve an established sales company becoming a limited risk distributor, transferring key risks (such as stock obsolescence, bad debts and foreign exchange) to another company.

This can be an effective way of transferring profit-generation from the sales or manufacturing entity to the principal company with minimal physical disruption to the business as few staff need to relocate.

Research centres of excellence:

The benefits of establishing a global R&D centre can be extensive given the various grants and tax incentives available to encourage investment in different jurisdictions. It is important to ensure these incentives are taken into consideration when undertaking cost-benefit analysis on the choice of location.



When considering the best structure for an R&D centre of excellence, it is important to understand whether the centre will undertake research on its own behalf, effectively owning the associated IP, or whether it will perform contract R&D on behalf of the IP owner. This is key to deciding where the IP should be located.

3 Value-add functions

IP holding companies:

By locating the IP and the associated active management in one company, its value may be maximised. The income generated from such activity will be either royalties, or if the IP holding company is included in the supply chain, through the mark-up on the pricing of goods or services.

The profits attributed to IP can be very significant, and it is important to look at how this can be managed – for example Ireland allows a deduction for amortisation of IP transferred from group companies, based on the market value (rather than book value).

Migration of holding company:

This typically entails setting up a new holding company above the existing group holding company and is known as an inversion.

There are a number of commercial reasons why a company may migrate, including:

- commercial opportunities to re-focus the business on a new territory or region, more closely aligned with customers, suppliers and/or workforce
- opportunities to exit from a complex legal/tax compliance and reporting regime of the existing country of residence, and adopt a more straight forward regime in a territory such as Malta.

Migration has a very significant impact on the business, with the key decision-makers either relocating or regularly travelling to the overseas location.

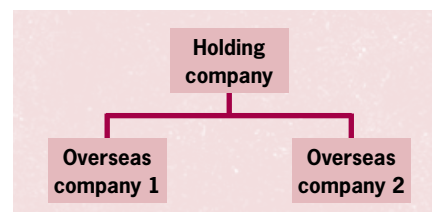
It can also impact the shareholders as some jurisdictions have high WHT rates on payment of dividends to non-resident shareholders. If treaty protection is not available, complex structures such as dividend access schemes, may be required to manage WHT costs to the ultimate shareholders.

There must, of course, be an appetite for change at board level to drive through restructures of this nature and recognition of the potential reputational implications.

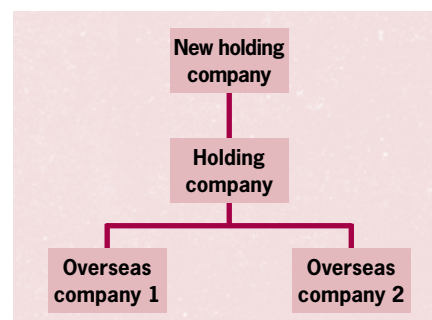
An inversion

The key steps to an inversion are as follows:

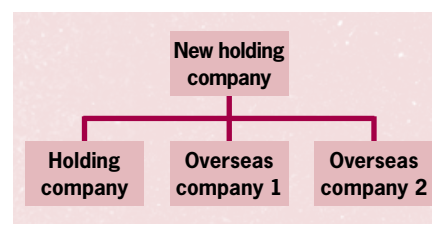
Existing structure



Set up a new overall holding company in a favourable jurisdiction by way of share for share exchange by the existing shareholders

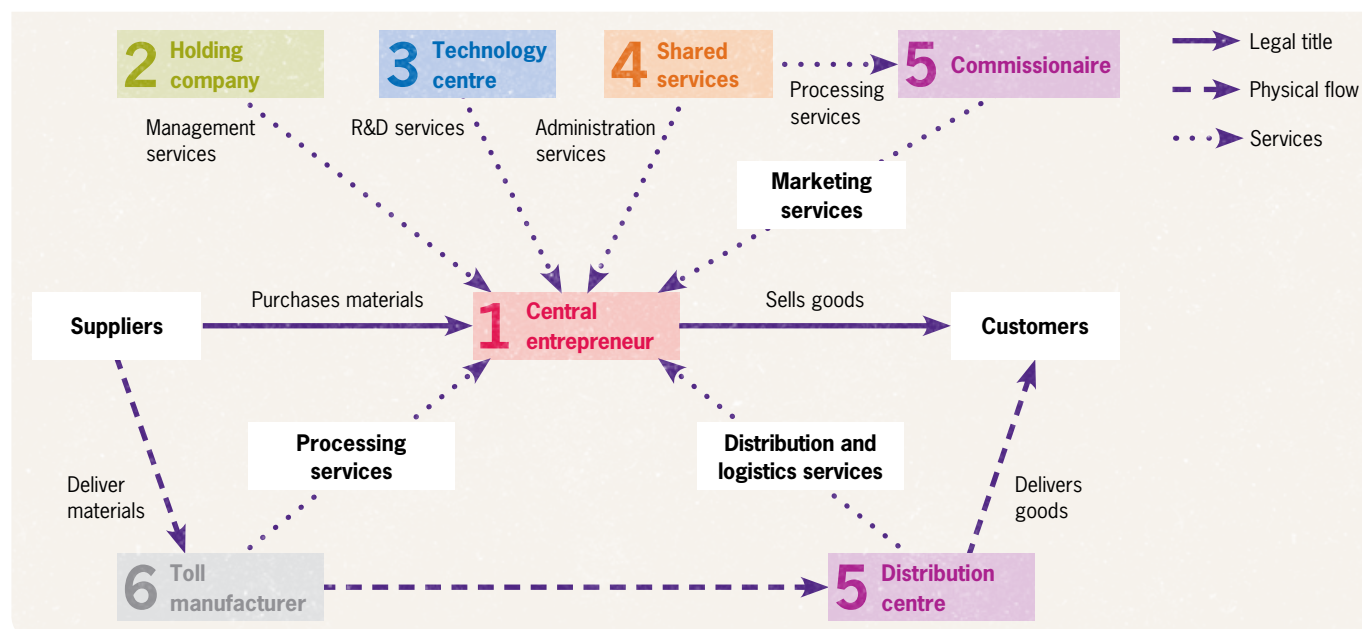


Transfer subsidiary companies under the new holding company



Where is the optimal location?

There is no right answer as to where a group should locate its different functions. It depends on a myriad of business factors but the classic supply chain model highlights the options available.



1

The **central entrepreneur** is the hub of the structure and therefore its location will be key. As it will often also hold the group's intangible assets, identifying an appropriate IP tax regime can significantly improve the group's effective tax rate.

Popular jurisdictions have been Belgium, Hong Kong, Ireland, the Netherlands and Singapore – the group can benefit from excellent commercial regimes, access to a sophisticated labour force and opportunities to manage tax arrangements more effectively.

2

The choice of **holding company** location is determined by shareholder considerations as well as company law. Popular locations are Belgium, Ireland, Luxembourg, Switzerland and the United Kingdom.

3

A **technology centre** will be responsible for R&D, and therefore its location will be influenced by access to appropriate staff and possible investment incentives from government. Countries such as France and the United Kingdom encourage investment in R&D through their R&D regimes.

4

Shared services are often relocated to overseas jurisdictions. Call centres for example are usually located in low cost environments with popular locations in Europe including Malta and Cyprus and in the Asia Pacific region, India.

5

Operations that can be physically difficult to move – for example sales and **distribution**, which are driven by customer location, can be structured as a **commissionaire** or a limited risk distributor (LRD). This will limit the risk and therefore the level of profits associated with the function. As mentioned previously, the commissionaire arrangements are one of the higher profile issues within the OECD BEPS initiative and many multinationals may look to switch to the LRD model for greater stability.

6

Toll or contract manufacturing is ideally located where there is a low cost base – East European states and increasingly North Africa are widely used. This area is also under close scrutiny as a result of the OECD's BEPS Action Plan.

What is the impact of relocation?

It is important to understand the potential impact any relocation has on the operational, legal and tax affairs of the business. These are generally manageable but careful planning is necessary to ensure groups are aware of all the costs of the relocation.

Operational issues

Customers, suppliers and markets

Depending on the type of business, the location of suppliers and/or customers will be key to the decision on location. Proximity to these key stakeholders is often a critical factor in driving relocations.

Substance

Whenever activity is being relocated, there will need to be real 'substance' in the chosen location. The degree of substance depends on the functions undertaken and the assets and the jurisdiction they are to be relocated to. While this may be obvious for volume-adding functions such as manufacturing, holding and IP holding companies will need to have sufficient personnel and appropriate levels of local management with the relevant expertise to manage the assets. Failure to demonstrate sufficient substance is likely to give rise to tax concerns as set out further below.

People

Groups must consider how any relocated function will be staffed. This may involve relocating staff or recruiting locally. For existing staff, account must be taken of their desire to move, in addition to their ability to move in terms of work permits. In addition, in the context of an 'assembled workforce', the transfer or secondment of employees may result in the transfer of valuable know-how from one associated enterprise to another. Depending on the facts and circumstances, this may result in arm's length compensation for these intangibles. If existing staff do not want to move, there will need to be a suitable workforce available locally. Both options will have associated costs.

Reputation

Some businesses are sensitive to market perception. Any restructuring which could result in headline news in the media could detrimentally impact the profitability of those businesses. While high profile movers have paved the way, when reviewing the strategy of the business all key players in the business, from Chief Executive Officer to corporate affairs need to understand the implications of a move and need to be clear of their stance.

Legal Issues

Employment law

It is important to recognise when moving staff to an overseas location, or indeed hiring new staff, that the employment laws in different jurisdictions are unlikely to be the same. Even within the EU, there can be working hour restrictions, and employees may have more rights in one country compared to another. In addition, works councils in certain member states can be powerful bodies influencing business decisions.

Contract renegotiation

When moving business operations overseas, it may be necessary to renegotiate contracts with current suppliers and customers. The appropriate law governing these contracts will need to be considered and, where different, existing contracts will need to be agreed with customers and suppliers.

Company law

Company law factors must be taken into consideration when setting up a new entity including the different reporting requirements. The full migration of listed entities may give rise to numerous legal and listing requirements.

Tax issues

Residency and controlled foreign corporations (CFC) rules

Many tax authorities levy tax not just on companies incorporated in the territory in question, but also where companies are managed there. It is therefore important that companies have an appropriate level of substance and management locally, otherwise additional tax costs could arise under the tax residence and CFC rules.

Transfer pricing

Increasing numbers of jurisdictions have introduced transfer pricing rules to ensure that intra-group pricing (of goods, services, interest and royalties) is deemed to take place at arm's length. The aim is to ensure that profits are not artificially diverted to another territory through manipulation of prices. As a result, the level of profits which can be generated in a territory is typically driven by the

manipulation of prices. As a result, the level of profits which can be generated in a territory is typically driven by the level of substance in that territory – both in terms of assets held, functions performed, and risks borne. The OECD BEPS initiative may alter how rules are implemented so careful supply chain planning is essential.

Exit charges

As part of any restructuring, the exit charges in moving a function or asset out of a jurisdiction need to be included in relocation costs. For most countries, there will be a tax charge on exit. However, with planning it is often possible to minimise the charge arising on exit or defer such a charge.

If moving within the EU there is also the argument that such charges are discriminatory and contrary to EU law and in particular the Freedom of Establishment and Free Movement of Capital.

Indirect taxes

Thought needs to be given where any restructuring alters the flow of goods, services or other payments. For example royalty, interest and dividend flows need to be modelled to ensure that the resultant structure would not lead to additional taxes. Where there is a physical movement of goods or services, indirect tax cost leakage (particularly sales taxes and duties) will need to be built into the cost of the restructuring.

OECDs BEPS Action Plan

The OECDs BEPS Action Plan is set to add complexity to a fast changing tax landscape.

While the impact of the Action Plan is likely to be uneven, it will affect wider organisational structures within all multinational entities (MNEs). The Action Plan aims to bring tax closer to where real value is created. It will be much harder to demonstrate that value is being created within a country that has little human capital and infrastructure to support intellectual property generation, even if this is where the rights reside or from where investment has been financed.

To meet tougher permanent establishment stipulations, companies will need to demonstrate that people and

structures are there to support the bearing of risk. Transfer pricing is going to be more complex and more important as a result. It will not be possible to look at value creation, transfer pricing and tax planning strategies in isolation – all should work in harmony.

While still under development, the outcomes of the Action Plan could fundamentally change the international tax landscape and will need to be given careful consideration when deciding any relocation options.

Conclusion – Developing the right solution

As your business seeks out new markets for growth and looks at how it can best manage tax, operational and compliance costs, the rationale for restructuring and/or relocating at least some of your assets and operations can only increase.

1. Model your supply chain and identify key value drivers. This will help you identify areas where relocation/restructuring could add value.
2. Determine which functions and assets could, should or should not be relocated, and assess possible locations.
3. Undertake feasibility and cost-benefit analyses. This shouldn't just look at the costs, but also any potential reputational issues.

The choices that emerge from these evaluations may prove very different from what you originally envisaged. While these assessments are likely to identify a number of challenges, most can be managed with the right structuring and planning. What you cannot afford to do is simply consign relocation to the 'too difficult pile' as you could lose out to competitors as a result.



Key country summary

Americas



Argentina – although a high-tax country, offers tax incentives to corporations engaged in production of software, bio-fuel and power using renewable sources, biotechnology etc. Argentina's advantage lies in its growing economy and availability of educated work-force.



Brazil – supports and incentivises R&D activities and is working towards technological innovation, product innovation, and enhanced R&D activities.



Canada – boasts a number of characteristics that foster business growth, including a prudent fiscal policy, low inflation, interest and unemployment rates, a highly-educated population and a business friendly corporate tax framework.



Chile – with the objective of becoming a hub of innovation and entrepreneurship in the Latin American region, Chile has implemented a number of Chilean Economic Development Agency programs designed to attract entrepreneurs and R&D investment.



Colombia – R&D activities, scientific and technological development in Colombia attract various tax incentives.



Mexico – offers innumerable advantages, namely, availability of skilled labour at competitive costs, low transportation costs, network of free trade agreements and export incentive programmes.



Panama – has a special tax incentive headquarters' regime that facilitates multi-nationals establishing their headquarters in Panama. Economic activities of national interest are granted several tax benefits in Panama.



Puerto Rico – offers the security and stability of operating in a US jurisdiction with an array of special tax incentives for foreign direct investment. It offers a highly attractive incentives package that includes a fixed corporate income tax rate, one of the lowest in comparison with any US jurisdiction, various tax exemptions and special deductions, training expenses reimbursement and special tax treatment for pioneer activities.



United States – one of the world's major trading markets, it welcomes foreign investment and is a relatively easy country in which to do business.

Asia Pacific



Australia – provides trade and business links between the Asia-Pacific region, Europe and North America as a result of its unique economic position. Australia offers a low cost business environment, highly skilled as well as multilingual workforce. An abundance of natural resources coupled with the world-class transport and telecommunication infrastructure adds to Australia's competitiveness.



China – one of the most important manufacturing bases in the world due to the country being rich in both skilled and unskilled manpower. China encourages foreign participation in investment projects by taking measures to make the investment climate more favourable and less bureaucratic.



Hong Kong – the economy is characterised by free trade, low taxation and minimum government intervention. In order to attract more foreign investment to Hong Kong, the government maintains a low and simple tax system and has particularly strong links into the Asia Pacific region.



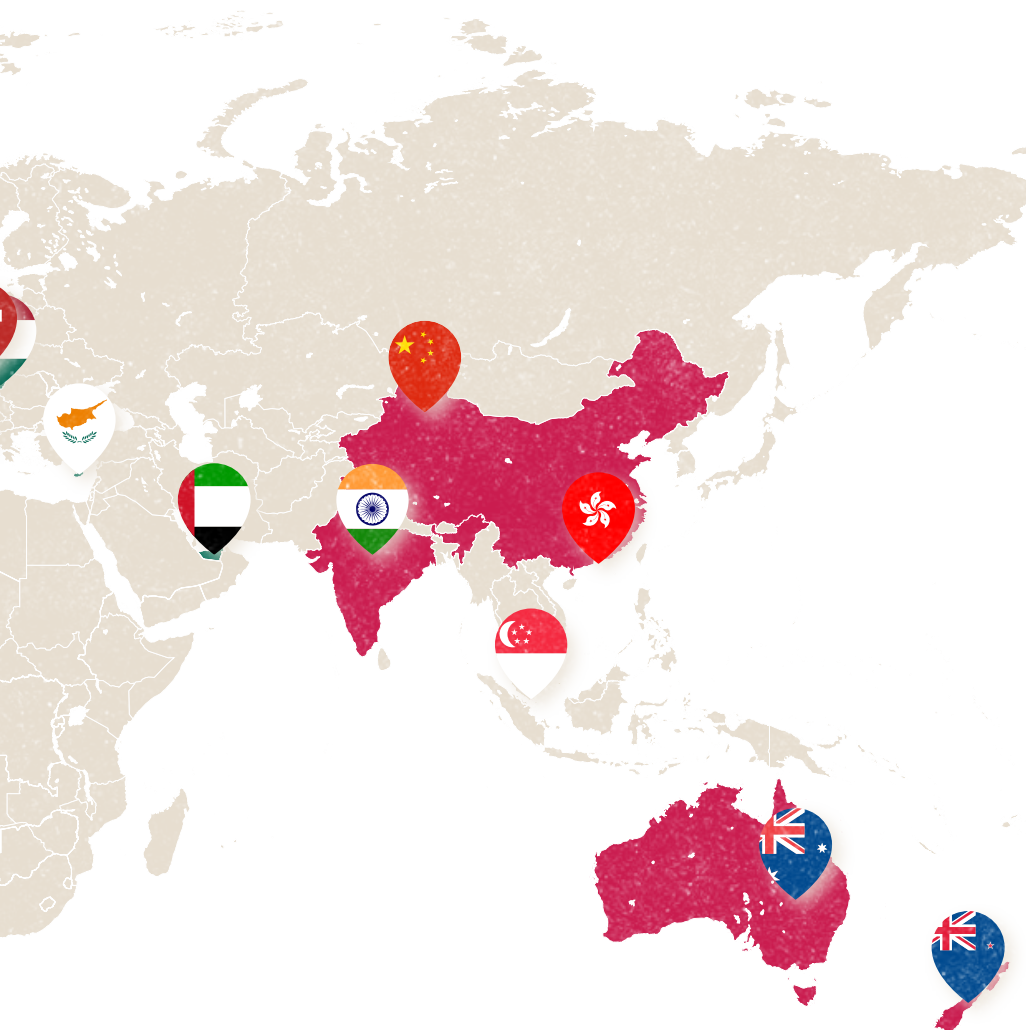
India – a large pool of skilled and un-skilled labour and the prevailing cost arbitrage are an advantage for manufacturing and service centres to be set up in India. India is increasingly being used as an outsourcing hub by multinationals.



New Zealand – has an open economy that works on free market principles and is recognised as being a leader in being easy to business in. New Zealand's exports account for about one third of real expenditure Gross Domestic Product (GDP). It has a potential for a sizeable manufacturing and service sectors which complement a highly efficient agricultural sector.



Singapore – a dynamic and mature business environment makes it a favoured destination for multinationals operating in the Asia-Pacific region. Singapore is used as a regional/international headquarters by the global companies with large-scale needs.



EMEA

Belgium – has the commercial benefits of being located at the heart of Europe, a tax efficient holding company regime, a very attractive financing system (with notional interest deductions) and a wide range of tax incentives for companies investing in R&D make Belgium attractive for establishing a holding or finance company or an R&D centre.

Cyprus – widely used for investment into Russia and Central Europe owing to a strong treaty network, it is increasingly used for service companies, including the financial services sector, attracted by a 12.5% corporate tax rate, simple regime, and relatively low cost.

Hungary – a relatively new holding company location destination, its location is ideal for accessing other Eastern European countries. It also has a straight forward tax system, a low overall tax rate and a good IP regime.

Ireland – is a popular location for holding and IP holding companies, particularly with a wealth of skilled workers in the technology and pharmaceutical sectors. It also has a flexible tax system, low corporate tax rates for active trades, and a good IP regime.

Luxembourg – is a common holding and IP company location and is often used as a treasury/financing location. Historically, advance agreements with the tax authorities were also possible.

Malta – a relatively low cost of living combined with a good quality workforce make this a popular jurisdiction for service companies. If structured correctly, corporate tax rates of less than 5% are achievable.

Netherlands – widely regarded as the holding location of choice, with a regime that is almost as competitive as a decade ago. With an excellent treaty network and a flexible tax system, it still is popular as a holding company location, and is widely used by service, trading and logistics groups.

Spain – not widely recognised as a holding company location but its strong treaty network with Latin America means that it is a very good holding company location to access these markets. Spain also has both attractive R&D credits and IP regime.

Switzerland – Switzerland is one of the top locations for international business. Numerous international headquarters, especially well-known trading companies, the largest pharmaceutical companies and major financial institutions are domiciled in Switzerland.

United Arab Emirates (UAE) – practically, a zero tax region, the UAE houses some of the largest financial services, banking, legal and accountancy firms in the world that facilitate smooth business operations. The UAE Free Trade Zones offer lucrative incentives, thus, attracting international investment.

United Kingdom – multinationals continue to use the UK as a holding company location – this is driven by commercial factors, particularly the relative ease of set-up, language factors and communication links. The UK also now has a very attractive tax regime with incentives for innovative businesses including a low headline corporate tax rate and limited withholding taxes.

Key country profiles – Americas

This section provides an overview of the commercial and legal benefits of the jurisdiction, the holding company and IP holding regimes, as well as expatriate costs and planning opportunities for the key holding company locations in the Americas region.



Argentina

Introduction

Investment climate

- local currency: Argentine peso (ARS)
- free market economic system
- dependence on exports
- educated and skilled work force.

Quality of living

- high literacy rate
- affordable living.

Through its promotional regime in the areas of software, R&D, bio-technology and training courses, Argentina can extend the tax beneficial results to its investors.

Argentina, located in South America with a varied topography, ranging from fertile plains in the central region to mountains in the west and a semi-arid zone in the south.

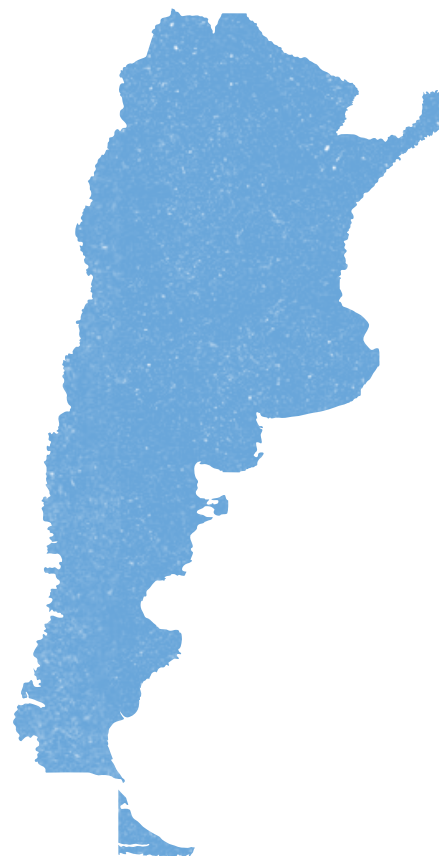
Argentina enjoys a democratic political system and has a free market economic system. Since Argentina is a member of the Southern Common Market (Mercosur) trade agreement, it can avail the preferential import tariffs while trading within Mercosur countries.

Foreign entities participating in the capital of Argentine entities need to register themselves in Argentina before entering into the investment.

Except for certain regulations or practical restrictions applicable to a few activities such as financial institutions, public media or fishing, foreign investors in general do not require any prior approval (although approval is required to benefit from certain specified protections). Foreign and domestic companies are treated the same and have access to all economic sectors, incentive programs and state procurement schemes.

In the Argentine system, taxes are burdened by the national government, the provinces and local municipal authorities. Argentine corporations are subject to income tax at 35% and a minimum deemed income tax at 1% of the assets' values.

Argentina offers tax incentives to various sectors such as mining, personnel training, software, R&D, bio-technology, electricity production using renewable sources of energy and bio-fuel production etc. These incentives are packaged in the promotional regimes. There is a tax free zone (Tierra del Fuego) with special incentives for certain activities.



Holding company

Corporate taxation

Companies or enterprises domiciled in Argentina, including the branches of the foreign companies, are subject to income tax on their worldwide income (including capital gains). Non-residents operating temporarily in Argentina without any permanent establishment or branch etc. are liable to income tax on their Argentine source income only.

The standard rate of corporation tax in Argentina is 35%.

Tax payers who are taxed on their global income are eligible to claim the tax credits of income taxes paid outside Argentina on their income earned abroad, up to the limit of the increase in tax liability caused by the inclusion of the foreign-source income.

Alternate Minimum Tax (AMT): Argentina also imposes AMT on presumed profits on the corporations and enterprises domiciled in Argentina. The standard rate is 1% of the value of the global assets excluding stock and other corporate participation at the end of the tax year, determined in accordance with the guidelines established by the law, which in their majority tend to approximate to their market value. AMT is payable to the extent it exceeds regular corporate income tax for the year.

If AMT exceeds the regular income tax, such excess can offset the reverse differences between the two taxes, corresponding to the ten tax years immediately subsequent to the said tax year.

A tax is levied on debits and credits in the bank current accounts.

Stamp taxes and other capital duties

Stamp duty: Stamp duty is a provincial tax, for which the city of Buenos Aires and each province have established in their own legislation.

Generally, this duty applies to all profit-oriented acts, contracts and transactions formalised through public deeds or private agreements and monetary operations, calculated over the interests paid or charged by the financial entities. The general rate is 1%, however for real estate deals, the rate may range from 2.5% to 4%.

Each province has its own provincial stamp duty law that applies the specific transactions within its territory.

Capital duty and transfer tax: Argentina does not levy capital duty. A particular tax on the sale of real estate property performed by individuals would be applicable at a 1.5% rate over the sale price.

Asset tax: Argentina levies an asset tax of 0.5% on any equity interests owned by the resident individuals and non-residents in an Argentine company.

Contributions on real estate property: These contributions of provincial characteristics are applied on the fiscal value assigned to the real estate property (such as land) located within each jurisdiction.

Dividends

A 10% withholding tax on the case of distribution performed by Argentinean companies is applicable since September 2013.

However, where the profit distributed exceeds the recorded profit in order to determine the tax, the said excess is subject to a withholding of 35%, as a unique definite payment, irrespective of the application of the 10% withholding tax.

Dividends received by Argentina entities from foreign companies are subject to income tax and a foreign tax credit is granted under the general income tax rules.

Anti-avoidance legislation

Argentina's anti-avoidance rules comprise the transfer pricing regulations, thin capitalisation rules and the provisions dealing with the CFCs.

In terms of general anti-avoidance rules, Argentina enforces an economic reality principle in its tax procedural law. Under the said principle, the tax authorities can challenge the form over substance (ie actual economic situation).

Argentina has also published a list of cooperative jurisdictions and those not featuring in the list are considered as non-cooperative jurisdictions for the purposes of the tax transparency, which implies the application of specific anti-avoidance tax provisions.

Withholding taxes

Interest payments to non-residents are subject to final withholding tax either at the reduced 15.05% rate or at the general 35% rate. The reduced rate of 15.05% applies in some specific cases such as, the borrower being an Argentine financial institution and the lender being a banking or financial entity etc.

Royalties are subject to 28% withholding tax and service fee payments to non-residents are subject to a 31.5% withholding tax. A special rate of 21% could be applicable if the contract is registered with the National Authorities on Technology Issues (IMPI) and the technology tool is considered as 'not available' in Argentina.

Withholding tax rates may be reduced applying the provisions under the double taxation avoidance agreements depending on which country the recipient is a resident.

Value Added Tax (VAT)

VAT is levied on sale of movable goods, contracts for the construction of movable assets, construction works on property belonging to third parties, construction and sale of property (real estate), services (including financial services) rendered within Argentina, definitive imports of movable assets and financial services, etc. performed abroad, but used in Argentina.

VAT is levied on the afore-said transactions when undertaken by a taxable person.

The standard VAT rate is 21% while a reduced rate of 10.5% applies to the supplies of certain food, dwellings, interest and medical services and an increased 27% rate applies to supplies of telecommunication services, gas and electrical power, etc.

Exported goods and services are generally zero-rated while there is a list of exempt supplies of goods and services which includes books, education etc.

Double tax agreements

Argentina's tax treaty network is relatively limited, having 15 double taxation agreements in effect with the other countries. Argentina has entered into the tax information exchange agreements with certain non-treaty countries.

Foreign shareholders

Gains derived by a non-resident from the sale of shares of an Argentine corporation are subject to tax at 15%. The seller has an option to compute the tax on 90% of the gross proceeds (ie an effective tax rate of 13.5% of the gross sale price) or on the entire gross proceeds less costs/expenses incurred in deriving such gains.

IP regime

Legal

Argentina has the relevant laws in place for protection to intellectual property rights against the infringement etc.

Protection of copyrights is ruled by 'Intellectual Property Law', which grants protection to scientific, literary, artistic or educational work regardless of their process of reproduction. Infringement of industrial property rights is a criminal offence.

IP rules

There is no specific tax provision governing tax deductibility or amortisation of expenditure on intellectual property rights.

However, only 80% of the royalties paid for the use of a brand name to a foreign entity is deductible for income tax purposes.

The remaining amount will be a non-deductible item.

R&D rules

Certain tax incentives are available for R&D related activities. These incentives are subject to an annual cap and competition based.

A tax credit is granted on qualifying expenses or investments on R&D projects, which may offset the income tax due up to a certain limit (i.e. 50% of qualifying investments in R&D projects). Qualifying investments are those investments channelled through structures approved by the designated authorities.

Expatriate issues

Income tax

Individuals domiciled in Argentina, burdened with a progressive rate according to a scale (ranging from 9% to 35%), with personal deductions. Resident individuals are subject to income tax on their worldwide income.

A foreign individual having an employment contract for up to five years and holding a temporary visa is taxed only on Argentine-source income. Non-resident individual working in Argentina for not more than six months during the year are subjected to a tax rate of 24.5%.

Net wealth tax: The net wealth tax rate ranging from 0.5% and 1.25% is levied on the world-wide assets of the individuals residing in Argentina. This tax applies when the aggregate value of assets exceed ARS 305,000.

On shares in an Argentine company, the applicable rate is 0.5%. Non-residents are subject to net wealth tax only on Argentine property existing at the end of each calendar year.

There is no payroll tax in Argentina.

Social security contribution

Argentina has a codified social security contribution system under which both employers and employees are obliged to contribute.

The extent of employee's contribution is 17 % of salary (upto a monthly limit) and that of employer's contribution is 17% or 21% of payroll (without a limit and based on the size and activities of the employer).

The employer's contribution may be reduced in respect to the employees hired under certain specifically regulated contractual arrangements.

Also, the employers and the employees are required to contribute to the health care schemes.

Foreign professionals working in Argentina for a period not exceeding 2 years are exempted from the above-mentioned contributions and withholdings, as long as they do not have permanent residence in the country and that they are covered against the contingency caused by elder age, disability and death in their country of permanent residence.

Employers are also required to finance a labour risk insurance.

Expatriate rules

A non-resident individual working in Argentina for less than five years is subject to income tax on his Argentine-source income under the rules for resident taxpayers, ie tax on actual income, deductions and allowances and progressive rates.

Corporate set up

Corporate entity

Foreign investors are entitled to utilise any of the corporate structures recognised by the Argentine law.

The forms of business organisation legislated in Argentina are: stock company, limited liability company, limited partnership (simple or through shares), general partnership company and capital and industry company.

The law also regulates local branches of foreign corporations as well as joint ventures and management cooperation (these last two juridical frames do not constitute companies nor are they subject to law).

The form of business organisation most commonly adopted by foreign investors is that of stock company. The minimum share capital for a stock company is ARS 100,000. A minimum of two shareholders is required.

After stock company, limited liability company is a commonly-used legal structure. There is no minimum capital requirement, however, at least two partners (but not more than 50 partners) are required.

Cost

Company set up costs start at around ARS 19,000 and can take around one month. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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Brazil

Introduction

Investment climate

- local currency: Brazilian Real (BRL).

Quality of living

- high illiteracy rate
- free health care to its permanent residents and foreigners.

Brazil has a mixed economy with abundant natural resources. The country has been expanding its presence in international financial and commodities markets and is one in the group of four emerging economies, Brazil, Russia, India and China (BRIC countries).

A diverse economy offers many investment opportunities in several segments in manufacturing and services industries.

Brazil supports and incentivises R&D activities and is working towards achieving technological innovation, product innovation, and enhanced R&D activities.

Brazil's population is predominantly urban and being a populated country, has a large workforce pool. With a population of 192 million from incredibly diverse backgrounds of race, culture and class, the thing that unifies Brazilian culture is an effusive confidence, something that carries into their business culture.

There has been a concern that Brazil is already an expensive country and manufacturing is not competitive; however, manufacturing is still crucial as Brazil develops. High operational costs are countered by the ease of working there and the willingness of Brazil to open up to investment.

After suffering from hyper-inflation in the 1970s and 1980s, Brazil now has a sophisticated banking system with higher liquidity.



Holding company

Corporate taxation

A corporate is subject to corporate income tax and social contribution on net profits.

Brazilian law recognises four regimes for calculation of income taxes, namely:

- actual profit regime
- presumed profit regime
- determined profit regime
- simplified regime of collection of taxes.

Actual profit regime

Corporate tax rate in Brazil is 15% on net profits after tax adjustments. The portion of net profit, adjusted by tax additions and exclusions, which exceeds BRL 240,000 per year is subject to additional income tax of 10%.

Additionally, the social contribution on net profits is imposed at a rate of 9% (15% for financial institutions).

Accordingly, the total effective tax rate on corporate profits is usually 34% (15% corporate tax plus 10% surtax and 9% social contribution).

For the purpose of computing tax, net profit means income recorded on accrual basis less usual expenses and costs incurred by companies.

Presumed profit regime

Entities which are not obliged to adopt actual profit method regime may choose to be taxed under the presumed profits regime provided the gross total income does not exceed:

- BRL 78 million in previous year; or
- BRL 6.5 million times the number of months during which the company carried out its activities in the previous year (when less than 12 months).

The applicable percentage for presumed profits ranges from 1.6% to 32% and the applicable income tax rate is 15% of the presumed profits. Additional 10% is levied on the quarterly presumed profits in excess of BRL 20,000 per month. A 9% social contribution is levied on the presumed profits.

Simplified regime of collection of taxes

Following entities may opt for a simplified regime for joint collection of federal taxes including corporate income tax:

- micro enterprises whose annual gross income does not exceed BRL 0.36 million
- small enterprises, whose annual gross income does not exceed BRL 3.6 million
- individual entrepreneurs treated as corporate tax payers, whose annual gross revenue does not exceed BRL 60,000.

The taxable base is determined by applying percentages specified by law ranging from 4% to 22.90%, with some adjustments depending on the level of gross income.

Determined profit regime

This regime is mainly adopted by tax authorities in case the tax payer does not comply with its corporate income tax obligations.

The taxable base is determined by applying percentages specified by law ranging from 1.92% to 45%.

Corporate income tax is levied at 15%. A surtax of 10% applies on taxable income exceeding the annual amount of BRL 240,000. Social contribution is levied at the rate of 9%.

Stamp taxes and other capital duties

There is no net worth tax and stamp duty applicable in Brazil.

Real property tax is applicable in Brazil which ranges from 0.03% to 1.5%. Further, a rural property tax is levied on ownership of rural property ranging from 0.03% to 20%, depending on the region and utilisation of the property.

A real estate transfer tax from 2% to 6% is also applicable on transfer of title to real property.

Exemption from corporate tax

Dividends distributed by resident companies from after-tax profits are not subject to taxation in hands of the recipient.

Anti-avoidance legislation

Brazil's anti-avoidance rules comprise of the transfer pricing regulations, thin capitalisation rules and the provisions dealing with the CFCs.

Brazil also operates a general anti-avoidance rule that supplements other specific anti-avoidance rules.

Further, there is a special tax treatment for outbound payments to residents in low-tax jurisdictions.

Withholding taxes

Non-residents are subject to Brazilian income tax by way of withholding, depending on the type of income derived. A general WHT of 15% (or 25% in case the recipients are located in a low tax jurisdiction) is applied.

Dividends paid by resident companies out of after-tax profits to non-resident shareholders are exempt from income tax. Withholding tax is levied on dividends at 25% where the beneficiary is located in low tax or nil tax jurisdictions.

Interest, commission and other financial expenses paid to non-residents are subject to withholding tax at 15%. The rate is 25% if the beneficiary is located in low tax or nil tax jurisdictions.

Royalty and other fees paid to non-residents are subject to withholding tax at 15%. The rate is 25% if the beneficiary is located in low tax or nil tax jurisdiction.

WHT rates may be reduced applying the provisions under an applicable double taxation avoidance agreement depending on which country the recipient is resident.

Value Added Tax (VAT)

Brazil operates a multiple rate system wherein the tax is levied at the federal, state and municipal levels.

The federal tax rate depends on the type of the product and levied at an average rate of 20%. The state VAT rate ranges from 4% to 25%.

Exports are exempt from VAT.

Double tax agreements

Brazil has entered into double taxation avoidance agreement with 30 countries.

Foreign shareholders

Capital gains are subject to WHT at the rate of 15%, unless specific rules apply.

No tax is withheld or due on the distribution of dividends by Brazilian companies from after-tax profits.

IP regime

Legal

Brazil has framed various laws dealing with registration and protection of IP, namely; copyright, industrial property rights, software, cultivars and integrated circuit layout design.

IP rules

Brazil has signed and ratified some major international treaties dealing with intellectual property rights, etc. If a local company owns and registers an IP, an additional 20% deduction is available on the expenses incurred.

R&D rules

A deduction of 160% to 200% is available for eligible R&D expense. Also, an accelerated depreciation is available on qualifying R&D assets. Depreciation of 100% is available on eligible R&D assets in the year of their acquisition.

Only companies that adopt the methodology of 'taxable profits' (Lucro Real) on a quarterly or annual basis may apply for the R&D tax incentive.

Expatriate issues

Income tax

Resident individuals are subject to tax on their worldwide income at a progressive rate ranging from 0% to 27.5%.

Non-residents are subject to tax at 15% or 25% depending on the type of income received.

Social security contribution

Brazilian social security is financed by contributions from both the employers and the employees.

Employer's contribution to the social security is generally made at 20% on remuneration paid or credited to employees and independent workers. Workers' compensation insurance contribution is made at 1%, 2%, or 3% on the payroll, depending on the level of accident risk related to the employer's business activities.

A new contribution regime is in force for specific business sectors such as manufacturing sector for producing certain government listed products and the service sector for providing certain government listed services.

Legal entities may be required to contribute to other social securities.

Self-employed tax payers are also required to make contributions based on their total remuneration.

Expatriate rules

A foreign national is subject to Brazilian income tax on their worldwide income once they become a resident of Brazil for tax purposes. As a resident, the taxable income cannot be reduced by an allocation of income to days worked outside Brazil. In general, any remuneration received for services rendered by a resident foreign national constitutes taxable income.

A foreign national that is a non-resident of Brazil for tax purposes is not subject to tax on remuneration paid outside Brazil. A non-resident is subject to a flat tax of 25% on remuneration paid in Brazil.

There are no special tax concessions granted to expatriates.

Cost

Company set up costs start at around USD 5,400 and takes around 14 weeks. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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Corporate set up

Corporate entity

The Brazilian law recognises various types of entities, namely: limited liability company, joint-stock company, unincorporated joint venture company and partnerships.

The form of corporate entity most commonly used is a limited liability company.

A limited liability company can be incorporated with a minimum of two shareholders. There is no minimum capital requirement in a limited liability company.

Joint-stock company is another form of organisation that may be set up in Brazil. There is no legal requirement concerning the minimum or maximum share capital required for a joint-stock company.

Other forms of entities include public-private partnerships, unincorporated joint venture companies, government controlled companies, etc.

Canada

Introduction

Investment climate

- local currency: Canadian Dollar (CAD)
- prudent fiscal policy and low inflation.

Quality of living

- highly educated population
- high standards of living with noticeably low cost of living as compared to other developed nations
- advanced healthcare facilities.

Canada's economy boasts a number of characteristics that foster business growth, including a prudent fiscal policy, low inflation, interest and unemployment rates, a highly-educated population and a business friendly corporate tax framework.

Canada is very receptive to foreign investment, and no exchange controls exist.

The Canadian federal and provincial governments offer the manufacturing sector a wide range of financial assistance programs to actively promote Canada's industrial development. The programs are designed to favour the establishment, development and modernisation of industries.



Holding company

Corporate taxation

Resident companies are subject to tax at the federal and provincial levels on their worldwide income. The net federal rate is 15%.

Provincial general corporate income tax ranges from 10% to 16%.

50% of capital gains are included in income and are subject to normal tax rates applicable to corporations.

Non-residents are taxed only on their Canadian-sourced income and subject to a branch profits tax at 25% of taxable income earned in Canada.

Stamp taxes and other capital duties

There is no stamp duty tax applicable in Canada. No separate taxes or duties are imposed on the issuance or transfer of shares and bonds. No capital duty is levied on the contribution of capital to a company.

Exemption from corporate tax

Certain inter corporate dividends are deductible in computing taxable income.

Anti-avoidance legislation

Canada's anti-avoidance rules comprise the transfer pricing regulations, thin capitalisation rules and the provisions dealing with CFCs.

Canada also operates a general anti-avoidance rule that supplements other specific anti-avoidance rules.

A number of specific anti-avoidance rules exist that apply, inter alia, to closely held companies, dividend stripping arrangements and conferral of benefits (for example, benefits conferred on a shareholder by a corporation).

Withholding taxes

There are no WHT applicable on payments made to residents.

Canada imposes a 25% WHT on dividends paid to non-residents.

Interest is exempt from WHT if it is payable on various bonds, debentures, notes and mortgages issued by the Canadian Government or if it is paid to an arm's length non-resident, subject to certain exceptions.

Any other type of interest paid to non-residents is subject to a final withholding of 25%.

Royalties paid to non-residents are subject to a final withholding of 25%.

Further, a 25% withholding applies to rental payments and management fees paid to non-residents.

Withholding tax rates may be reduced applying the provisions under the applicable double taxation avoidance agreements (income tax treaties) depending on which country the recipient is a resident.

Value Added Tax (VAT)

Canada operates a goods and service tax (GST). The standard rate is 5% except for goods and services that are zero rated such as prescription drugs, exports, medical, agriculture and finished products. Combined federal and provincial tax rates range from 5% to 14.975%.

Harmonised sales tax (HST): Certain provinces have fully harmonised their sales tax with the GST and impose a single HST ranging from 13% to 15%.

Double tax agreements

Canada has entered into double taxation avoidance agreements with more than 90 countries.

Foreign shareholders

A non-resident is subject to Canadian tax in respect of capital gains realised in respect of shares of a private company resident in Canada, but only if the share, at any time during the preceding 60 months, derived more than 50% of its value from immovable property situated in Canada.

IP regime

Legal

Canada has a legal framework for registration and protection of IP. The IP regime includes patents, trade-marks, copyrights and industrial design and models.

The IP laws protect against use, sale, manufacture, copying, reproducing, and rent.

Inventions, words, symbols and designs, original literacy, artistic, musical and dramatic works, visual appearance of the products and original integrated circuit layout designs are protected.

IP rules

There are no specific IP rules for amortisation and deductibility of the related expenditure.

R&D rules

The federal Scientific Research and Experimental Development (SR&ED) program is a tax incentive program designed to encourage economic development and job creation in Canada.

Under SR&ED, a 15% investment tax credit may be claimed in respect of qualifying scientific research activities. Any such tax credit claim will generally reduce the depreciable cost of the asset. Various provinces also have provincial tax credit programmes to encourage specific activities (including film and video productions).

Expatriate issues

Income tax

Individuals resident in Canada are taxed on their worldwide income.

There are two levels of taxation: federal and provincial. The rates are graduated based on income and vary depending on which province or territory the individual was resident in on 31 December of a particular year.

The federal tax rate is applied on a progressive scale of 15% to 29%.

50% of capital gains are included in income. Dividends received by individuals from resident companies are included in the taxable income. However, a dividend tax credit is allowed.

Social security contribution

The employer must contribute CAD 2.63 per CAD 100 of insurable earnings up to an annual maximum level of CAD 48,600 in insurable earnings per employee. For employers, the maximum per-employee annual contribution, for 2014, is CAD 1,279.

Employees must contribute CAD 1.88 per CAD 100 of insurable earnings up to an annual maximum level of CAD 48,600 in insurable earnings per employee. For employees, the maximum annual contribution, for 2014, is CAD 914.

Expatriate rules

Non-residents are taxable only on Canadian-source income. Expatriates taking up employment in Canada will be subject to comprehensive tax rules. Expatriates leaving Canada to take up employment in a foreign country will also be subject to comprehensive tax rules. All income earned from employment in Canada is taxed based on the employee's province of residence on 31 December of the year, regardless of where in Canada the income was earned.

Overseas employment tax credit (OETC) is available to Canadian residents if they meet specific requirements. In particular, the individual must be working abroad for six consecutive months or longer in connection with a resource, construction, installation, agricultural or engineering project. The credit is in the process of being phased out and will be completely eliminated by 2016.

Corporate set up

Corporate entity

Corporations are the most common form of business organisation. Although corporations may be created under either federal or provincial law, incorporation under provincial legislation is more common (under federal legislation, the public has greater access to financial information, which must be filed under federal statutes).

All corporations may conduct business in any province. However, they must report income earned by province where they carry on business through a permanent establishment. Certain provinces require separate registration of a corporation incorporated outside their boundaries, whether provincial or federal.

The share capital created by the articles requires no minimum sum or ceiling. Both federal and provincial corporations (with some exceptions) require that the board of directors has a majority of resident Canadians.

Cost

Company set up costs start at around CAD 200 and takes a minimum of five days for setting up of the company in Canada. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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Chile

Introduction

Investment climate

- local currency: Peso (CLP)
- free market economy.

Quality of living

- high quality of living
- advanced education and health care system.

Chile is situated in the south western tip of South America between the Andes and the Pacific Ocean.

Chile offers an attractive investment environment and is known for its stability and sustainable growth in Latin America. The country provides a transparent legal framework for foreign investment based on principles of non-discrimination and non-discretionary treatment. Chile promotes a free market economy for achieving a greater international integration.

With the objective of converting Chile into a hub of innovation and entrepreneurship in the Latin American region, it has implemented a number of Chilean Economic Development Agency programs designed to attract entrepreneurs and R&D investment into Chile. Preferential tax regimes are available for businesses operating in specific regions and/or carrying out specific activities.



Holding company

Corporate taxation

Resident companies are subject to income tax on their worldwide income. Non-residents are subject to tax on their Chilean-sourced income only.

The corporate income tax rate is 20% (first category income tax).

Capital gains form a part of business income and are taxed at 20%.

Stamp taxes and other capital duties

Foreign loans are subject to a stamp duty ranging from 0.033% for each month or fraction to 0.4%.

Loans payable on demand or without maturity are subject to a levy at 0.166%.

Real estate property is subject to taxation at an annual basis. In the case of non-agricultural and non-residential real estate the rate is 1.2%. Also they are subject to a surtax of 0.025%. The rate is applied over the government appraisal of the property. The transfer of real estate is also subject to tax in Chile.

No capital duty is levied upon formation of companies.

Exemption from corporate tax

A participation exemption regime exists for Chilean publicly traded stock corporations and closely held stock corporations that voluntarily submit to the supervision of the Chilean Securities and Exchange Commission and that meet the requirements. Such entities are exempt from tax on foreign income. In that case, dividends paid to non-resident/non-domiciled shareholders are exempt from withholding tax.

Anti-avoidance legislation

Chilean tax laws do not contain any general anti-avoidance or CFC rules.

Chile has a detailed transfer pricing provisions in place and codified the specific thin capitalisation provisions.

Further, there is a special tax treatment for outbound payments to residents in low-tax jurisdictions.

Withholding taxes

No WHT on payments to resident companies.

Chilean-source income derived by non-resident without a permanent establishment in Chile is generally subject to a final WHT of 35% on the gross amount.

Dividends are subject to a WHT of 35% on the gross amount.

Interest paid to non-residents is subject to WHT at 35%, subject to certain conditions and exceptions.

Royalty paid to non-residents is subject to WHT ranging from 0% to 30% on the gross amount depending upon the nature of the property for which the same is being paid.

Any other fees paid such as technical fee or professional fee, etc. are subject to WHT at 15% (or 20% subject to certain conditions).

A 35% branch remittance tax applies to the remittance of profits attributable to the branch against which the 20% first category income tax is creditable.

Withholding tax rates may be reduced applying the provisions under the double taxation avoidance agreements depending on which country the recipient is a resident.

Value Added Tax (VAT)

VAT is levied on domestic taxable supplies as well as import of goods. VAT is levied at the single rate of 19%.

Exports of goods and some other services are zero-rated. Some specified transactions are exempt without credit for previously paid VAT.

Double tax agreements

Chile has entered into around 25 double taxation avoidance agreements.

Foreign shareholders

Capital gains arising from alienation of shares under certain specified transactions are subject to tax at the normal income tax rate. Capital gains arising from any other transaction are subject to tax at 20%.

Profits distributed to foreign shareholders (non-resident/non-domiciled) are subject to withholding income tax of 35% against which the corporate tax paid is creditable.

IP regime

Legal

Chile has a strong and well-regulated IP legislation and provides legal protection to copyright, literary, artistic works, etc.

Chile is a member of World Intellectual Property Organisation and a signatory to various multilateral agreements on intellectual property.

IP rules

There are no specific rules for IP.

R&D rules

Tax incentives are available in respect of R&D certified contracts with a registered research centre and in-house R&D activities.

R&D investments must be made under a written R&D contract, subject to certain conditions. A credit of up to 35% of the payments may be claimed in a tax year under the R&D contracts, subject to maximum credit limits.

Payments exceeding maximum annual credits are deductible expenses.

Further, a number of Chilean Economic Development Agency programs have been designed to attract entrepreneurs and R&D investment to Chile.

Expatriate issues

Income tax

The taxation of individuals in Chile is based on either residence (tax residency) or on certain types of Chilean income (non-tax residency).

Resident taxpayers are taxable on their worldwide income. Non-resident taxpayers are only taxable on specific types of Chilean source income, like dividends, interest, rental and royalty income.

The income brackets are adjusted monthly in accordance with the consumer price index variation expressed through a unit called a monthly taxable unit (MTU). An MTU is equivalent to approximately US\$84.

There is a basic tax free amount of (13.5 MTU) CLP 547,128 per month. For higher incomes, there is a proportionally progressive tax rate reaching up to 40%. Over a salary of (150 MTU) CLP 6,080,000 per month, the taxpayer is subject to a tax rate of 40%.

Social security contribution

All resident or domiciled employees are required to contribute towards social security system at specified rates, based on individual accounts.

Contribution to a social security system is at the flat rate of 10%. This system has a cost fee of around 3%.

Contribution to the health system is at the flat rate of 7%.

Employers pay a basic contribution of 0.95% on salaries up to 72.3 Unidad de Fomento (UF)¹ to cover labour accident insurance. Activities considered high risk are assessed at a higher rate up to 3.4%. This is mandatory for Chilean and foreign employees.

The employers co-finance unemployment insurance. This insurance is paid by the employer and the employee at 2.4% and 0.6% respectively from the employees' monthly wage. The maximum monthly wage to be considered for these effects is UF 108.5 for year 2014 (the cap is adjusted annually). This contribution is mandatory for Chilean and foreign employees with an employment contract after October 2002, and voluntary for those employed before that date.

Expatriate rules

During the first three years of residence in Chile, foreign nationals resident or domiciled in the country are not subject to taxes in Chile over their foreign-source income; only Chilean source income will be taxed in the country, applying resident taxes. This benefit can be extended for three more years, if required and accepted by the tax authority.

Corporate set up

Corporate entity

The most common type of company is a Chilean-incorporated joint stock companies (JSC) and limited liability companies (LLC).

There are no minimum or maximum capital requirements in either of the two forms of business entities.

JSCs are incorporated under specific rules and are subject supervision of the supervisor of securities and insurance. JSCs must have at least two individual or corporate shareholders.

LLC is required to have a minimum of two and maximum of 50 members. LLC is not subject to specific control by a government department.

Other forms of business in Chile include general partnership, simple partnership, partnership limited by shares and individual limited liability company.

Cost

Company set up costs start at around USD \$1,000 and takes around two weeks for setting up. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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¹ The UF is an inflation-indexed unit expressed in Chilean Peso that varies according to the consumer price index.



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Colombia

Introduction

Investment climate

- local currency: Colombian peso (COP)
- stable economy.

Quality of living

- moderate inflation
- moderate standard of living
- low cost of living in the South America region.

Government's focus on investor interest and sound macroeconomic fundamentals will ensure financial stability and certainty to foreign investors.

Located in the North-west South America region, Colombia has two sea-coasts (Pacific and Caribbean) which provide a tactical shipping advantage to various industries.

Economic growth, political and economic stability are high on the agenda of the Colombian government for attracting the foreign investment. A free market economy, Colombia is rated as Latin America's oldest and most stable democracy. According to the World Bank report 'Global Economic Prospects' Colombia is the fourth nation in the region with the best GDP in 2013.

Colombia has established various free trade zones which offer the companies operating therein, a low corporate tax rate and other tax incentives. Colombia has various schemes for incentivising the scientific and technological development as well as innovation.

Colombia has a vast reservoir of natural resources and is recognised to have the large coal reserves.



Holding company

Corporate taxation

Resident companies are subject to income tax on their worldwide income.

The general corporate tax rate applicable on resident entities is 25%. An additional corporate income tax of 9% is levied for specified purposes (known as CREE to benefit employees, employment generation and social incentive) to fund social investment programmes and social security systems.

Non-resident companies deriving income through branches or other permanent establishments in Colombia are subject to tax at 25%. However, non-resident companies deriving Colombian-source income not attributable to a branch or permanent establishment are subject to a 33% tax rate.

A lower rate of 15% is applicable on companies located in a free trade zone.

Alternate minimum tax: A presumptive income is calculated at 3% of the taxpayer's net worth held in the immediately preceding the taxable year.

Stamp taxes and other capital duties

The current stamp duty rate is 0%. Real estate property is subject to municipal taxation of 1% to 16% with reference to the value of the property.

No capital duty is applied upon formation of companies or augmentation of capital.

Exemption from corporate tax

Dividends paid to resident shareholders are exempt from income tax if the dividends are distributed out of profits that have been previously taxed at the corporate level. The Colombian Law provides for certain activity based deductions and exemption such as income from inland waterway transportation services, sale of wind, bio-mass or agricultural waste-generated energy, eco-tourism services, development of medical products and software etc.

Capital gains obtained from the sale of shares on the Colombian stock exchange are exempt if the transaction does not involve more than 10% of the subscribed stock of the company.

Anti-avoidance legislation

Colombian tax laws contain a general anti-avoidance and thin capitalisation rules. Also, related party transactions are subject to transfer pricing regulations.

Colombia does not have CFC regulations.

Withholding taxes

Dividends paid by Colombian companies are subject to a 33% or 25% withholding tax if dividends are attributable to a permanent establishment within Colombia. Dividends paid to foreign companies not having their main domicile in Colombia are subject to a remittance surtax of 0% if the profits out of which the dividends are paid have already been taxed at the corporate level.

Interest payments to non-residents are subject to a final withholding tax of 33%. Interest on loans exceeding a one year term, or financial costs of leasing agreements with foreign companies are subject to a 14% withholding tax.

Royalties, service fees and commissions to non-residents are subject to a final withholding tax of 33%. Royalties for exploitation of software is subject to a withholding of 33% of 80% of the gross amount.

Technical and consulting services to non-residents are subject to withholding tax of 10%.

Withholding tax rates may be reduced applying the provisions under the applicable double taxation avoidance agreements depending on which country the recipient is a resident.

Payments to the notified 44 tax havens are subject to a withholding tax of 33%.

Value Added Tax (VAT)

VAT is levied on taxable supplies of goods and services by taxable person within Colombia and on importation of goods into Colombia by any person.

The standard rate of VAT is 16%. However, a reduced rate of 5% is applicable on certain mass consumption goods and services such as sugar cane, insurance for hospitalisation etc.

Exports and certain specified items are zero-rated.

Double tax agreements

Colombia has entered into double taxation avoidance agreements with seven countries.

Foreign shareholders

Capital gains derived by non-residents are subject to tax at 10%.

Dividends paid by Colombian companies are subject to a 33% or 25% withholding tax if dividends are attributable to a permanent establishment within Colombia. Dividends paid to foreign companies not having their main domicile in Colombia are subject to a remittance surtax of 0% if the profits out of which the dividends are paid have already been taxed at the corporate level.

IP regime

Legal

Colombian law protects all types of industrial property rights, recognising its value. Different laws and decisions constitute the legal framework to regulate and protect copyright, industrial property and patents.

IP rules

There are no specific IP rules.

R&D rules

Colombia promotes tax incentives to the scientific, technological, and innovation development communities. The following tax incentives are available for R&D activities:

- a capital allowance of 175% for investment or donation in qualified research and technology development projects, subject to a specified cap
- VAT exemption for imports in R&D and innovation
- a five-years' tax exemption on new software with high scientific content, developed in Colombia, subject to certain conditions
- a tax exemption for income derived from development of scientific, technological and innovation projects, according to the set criteria and conditions.

Expatriate issues

Income tax

Resident individuals are liable to income tax on their worldwide income. Non-resident individuals are subject to income tax only on their Colombian-source income.

The individual income tax rate is progressive, maximum rate being 33% for income over COP 4,100.

Capital gains are subject to tax at the rate of 10%, except gains from lotteries and similar sources, which are taxed at 20%.

The Colombian sourced income derived by non-residents is taxed at 33%.

An employer is required to contribute 9% of monthly payroll, with 3% allocated to the institute for family welfare, 2% to the national apprentice service and 4% to the family subsidy fund.

There is no inheritance or gift tax.

Social security contribution

Employers and employees are obliged to contribute to the social security system. The rate of employer's contribution under the social security system is 8.5% of salary for health insurance, 12% for general pension scheme and a specified percentage for work accident insurance.

The employees are required to contribute 4% towards both the health insurance and general pension scheme and an additional 1% or 2% towards pension solidarity fund.

A voluntary regime is applicable to self-employed as well as unemployed individuals.

Expatriate rules

Foreign resident individuals are taxed on their worldwide income. Income earned by non-resident foreigners working in Colombia is subject to withholding tax at 33%.

An outward expatriate (ie individual moving abroad) is liable to tax in Colombia unless they become a non-resident.

Corporate set up

Corporate entity

The Colombian Law recognises various types of companies such as: general partnership, limited partnership, limited liability corporation, corporation and limited liability partnership.

A foreign parent establishing a subsidiary in Colombia generally makes a choice between a Sociedad Anonima (SA) and a limited liability company.

SA requires a minimum of five shareholders while a limited liability company requires minimum of two shareholders but not more than 25.

There is another type of company known as a 'Simplified Stock Company', which is a commercial company and can be established with one shareholder.

There is no minimum capital requirement.

Cost

The cost of setting up a corporation is not significant. The incorporation usually takes around two to four weeks. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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Mexico

Introduction

Investment climate

- local currency: Mexican Peso (MXN)
- competitive labour costs
- low transportation costs.

Quality of living

- highly developed telecommunication systems
- high living standards
- qualified population.

Mexico's investment in developing its infrastructure and providing a world-class logistics platform will certainly be suitable for international businesses.

Located in the North America region, Mexico enjoys a strategic geographic placement in terms of cost-effective logistics and transportation systems. Mexico is considered a perfect location for the companies that want to sell the products and services to the consumers living in North, Central and South America in a cost-effective manner.

Mexico has brought many significant changes to its foreign investment law, which has led to the economy opening for foreign investors. In addition to traditional crude extraction and exploration sector, the Mexican economy has seen growth in other industries such as transformation (automotive, textile, electronics), tourism, construction and telecommunication. Mexico has signed the free trade agreements with various economies of the world.

Today, Mexico has reached a stable economic environment and offers certainty to foreign investors.

Mexico is making significant investments in infrastructural development in order to build a world-class logistics platform suitable for international business. Mexico has established a series of incentive programs designed to encourage export and job creation. These incentive programs include, among others, the Maquiladora² and the Manufacturing, Maquila and Export Service Industry Program (IMMEX).



² A Mexican maquiladora is a Mexican company that obtains a license to operate under the IMMEX program. These companies process (assemble and/or transform in some way) components imported into Mexico which are, in turn, exported usually to the US. Amendments have been made to the Mexican income tax provisions applied to maquiladoras which have to be reviewed before starting the process of operating a Maquiladora in Mexico.

Holding company

Corporate taxation

Resident companies are subject to tax on their worldwide income tax of 30%.

Non-residents are taxed on their Mexican-sourced income. In case a foreign resident acts in Mexico through a permanent establishment, such establishment would be subject to taxation in Mexico.

Stamp taxes and other capital duties

Mexico neither levies stamp taxes nor capital duty.

However, a real property tax ranging from 0.05% to 1.2% is levied on the real property. Furthermore, a transfer tax of 2% to 5% is levied on transfer of real estate. In regards to real property tax, such tax depends on the local legislation of each state, the property type and the use or planned use of the property.

Exemption from corporate tax

Capital gains arise from qualified mergers or divisions are generally exempt from tax, subject to the fulfilment of different requirements.

Anti-avoidance legislation

Detailed transfer pricing rules are applicable in Mexico. Mexican tax laws also include thin capitalisation and controlled foreign corporation rules.

Mexico has provisions dealing with the broad exchange of information agreements.

In case of related party transactions, Mexican tax authorities may also ask the non-resident to prove the existence of a juridical double taxation in order to claim the tax treaty benefits.

Withholding taxes

Dividends paid to non-residents are subject to a final withholding tax of 10% on a gross basis. Withholding made by the Mexican company that pays the dividend should be considered as a definitive payment.

Interest paid to non-residents is subject to a final withholding tax at the differing rates ranging from 4.9% to 35%, depending on the interest's beneficiary owner. In general terms, a 40% rate is applicable when interest is paid to a related party located in a low-tax country; nevertheless, there are some exemptions to this general rule, when fulfilling certain conditions.

Additionally, through administrative resolutions, the 40% rate is applicable where the transaction is carried out between related parties.

Royalties paid to non-residents are subject to a final withholding tax of 35% for patent and trademark and 25% for others.

A fee for technical services paid to non-residents are subject to a final withholding tax of 25% on a gross basis.

Withholding tax rates may be reduced applying the provisions under the applicable double taxation avoidance agreements depending on which country the recipient is a resident and subject to certain formalities and requirement fulfilment.

Value Added Tax (VAT)

VAT applies to most transactions involving goods or services taking place within the Mexican territory. Such transactions include the importation of goods and services from abroad. VAT consists of a 16% tax rate applied to each transaction.

Double tax agreements

Mexico has signed 57 double tax avoidance agreements with other countries, of which 53 are in force.

Foreign shareholders

Capital gains derived by non-residents from the transfer of shares of a Mexican entity are subject to a 25% tax on the gross amount received, subject to certain conditions. However, capital gains derived from transfer of publicly traded stock are subject to a 10% withholding tax.

When corporate profits have not been subject to the corporate income-tax, distributed dividends are subject to an 'equalisation tax' imposed on the payer of the dividend. Dividends distributed (whether or not corporate profits are subject to corporate income-tax) to non-residents are subject to a 10% withholding tax.

IP regime

Legal

Mexican law provides specific protection to inventions, layout designs, trade secrets, trademarks, copyrights, etc.

IP rules

There are no specific IP rules.

R&D rules

A direct cash grant is available to qualifying projects upon decision from the National Science and Technology Council, which decides on the amount of incentive to be provided. The projects may include technological innovation and development.

Certain Mexican states also grant benefits on R&D investments.

Expatriate issues

Income tax

Resident individuals are subject to tax on their worldwide income at progressive rates of 1.92% to 35%. The maximum rate of 35% is applicable on monthly taxable income exceeding MXN 250,000.

Mexico has two personal income tax regimes that may apply to employees performing services in Mexico. The applicable regime will depend upon whether the individual employee is considered as a Mexican resident for income tax purposes or not.

The tax residence of an individual will usually depend on a series of factors, including, among others, whether; the individual has an habitual abode in Mexico, they are a Mexican national, a tax convention exists between Mexico and the individual's country of residence or the individual has substantial economic ties to a country other than Mexico.

Payroll taxes also apply in Mexico at the state level. The general tax rate is 2% flat rate, applied to gross salaries of the employees. Certain states may apply rates between 1% and 3%. Mexican employers are generally required to meet payroll obligations in addition to similar obligations met by employees. An employer is required to withhold income tax as well as social security contributions from the employee and submit these to the tax authorities. The employer is required to make additional contributions to social security, as well as housing and retirement funds.

Capital gains realised by a non-resident are subject to a 25% final withholding tax. However, capital gains arising from sale of publicly traded shares are subject to a 10% tax.

Dividends are subject to a 10% withholding tax.

Social security contribution

An employer is required to contribute an amount equal to 26% of the employee's salary to social security (the employee is required to contribute a further 1.65%).

Additionally, it a work risk between 0.5%-15% based on the employee's salary, should also be paid.

Retirement fund

Employers are required to contribute an amount equal to 2% of the employee's salary to a retirement fund know as 'Individual Savings Account'. This account comprises of payments for suspension and old age. The relevant payments are 3.15% for the employer and 1.125% for the employee (calculated on the employee's base salary).

Expatriate rules

A non-resident employee working in Mexico for prolonged periods (usually in excess of 183 days within a 12 month period) will be subject to Mexican income tax at a lower rate than the rate applicable to Mexican residents, although on the gross amount. A non-resident employee that remains in the country for less than 183 days within a 12 month period is generally not subject to income tax in Mexico.

For an inward expatriate, salary and any other Mexican source income is subject to a final withholding tax ranging for 0% to 30%.

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Panama

Introduction

Investment climate

- local currency is balboa (PAB)
- legalised free circulation of USD
- monetarily stable economy
- skilled workforce

Quality of living

- high standard of living
- developed telecommunication system
- low inflation rate

The use of the USD as legal tender, the international banking centre and the availability of skilled man-power are some of the advantages for businesses in Panama.

Located in the centre of the American continent, Panama is easily accessible through land, sea and air. Panama is considered a free zone in the Americas, with a modern infrastructure.

Panama has a number of special tax incentives and fiscal regimes for certain types of industries that lowers the headline tax rate of 25%.

Panama also offers a number of advantages for investors to locate their headquarters, or business operations and is a major banking centre in Latin America. A 'Headquarters Law', a special tax-incentive system for multinational companies that establish their headquarters in Panama is also available.

Easy accessibility, use of the United States Dollar (USD) as the legal tender and an absence of exchange control restrictions, etc. contribute to the growing investments in Panama.

Panama's economy is primarily service-oriented. Availability of a highly skilled workforce and bilingual professionals speaking Spanish and English supports Panama's service based economy.

Panama is reputed as one of the most developed financial centres in the region and has established certain free zones that offer tax incentives to the specified industries operating therein.



Holding company

Corporate taxation

Companies are subject to income tax on their Panamanian-source income. The general corporate income tax rate is 25%.

AMT: A tax rate of 25% is applied to the net taxable income on whichever is higher:

- the amount of the net taxable income (traditional calculation of deducting costs and expenses from gross taxable income)
- the 4.67% of the gross taxable income (excluding exempted and non-taxable income and foreign source income).

If, after applying the second alternative, the company incurs losses due to the payment of the tax or, if the effective rate of the income tax exceeds 25%, it can request that the tax department do not apply AMT.

Small companies that invoice less than USD 1,500,000 gross taxable income in the fiscal year are exempt from applying AMT.

Capital gains arising from sale of immovable property are generally subject to corporate income tax at a rate of 10%. The seller must pay 3% from the purchase price as an advancement of capital gain tax. Such payment shall be considered as definitive capital gain tax. Capital gains realised on disposal of movable property are taxed at the reduced rate of 10%.

Stamp taxes and other capital duties

Stamp duty which is applicable on issuance of certain documents is levied at 0.001 per PAB or fraction thereof. A real estate tax is levied on Panamanian-situs real property ranging from 1.75% to 2.1%.

Transfer of immovable property situated in Panama is subject to 2% immovable property tax.

There is no net worth tax applicable and Panama does not levy capital duty.

Exemption from corporate tax

Certain specified interest incomes are exempt from tax in Panama. Furthermore, certain income related to ships or aircrafts are also exempt from tax.

Anti-avoidance legislation

There are no special anti-avoidance provisions in Panama. Panamanian law does not include any special thin capitalisation provisions or CFC legislation.

Transfer pricing laws that govern the transactions between related parties are applicable in Panama.

Panama has signed tax information exchange agreements with certain jurisdictions.

Withholding taxes

Dividends received by non-residents from companies holding a notice of operations or otherwise carrying out business in Panama, are subject to withholding tax at 10% (20% in case of bearer shares) where such dividends are distributed out of domestic profits. Where dividends are distributed out of foreign source profits or export profits, the withholding rate is 5%. Companies located within Panama's free trade zones are normally required to withhold at 5% on distributions.

Interest paid to non-residents is subject to a final withholding tax of 25% on 50% of the gross amount.

Royalties and other payments paid to non-residents are subject to a final withholding tax of 25% on 50% gross payment.

Branches of foreign companies are subject to a 10% withholding tax on after-tax profits.

Withholding tax rates may be reduced applying the provisions under the applicable double taxation avoidance agreements depending on which country the recipient is resident.

Value Added Tax (VAT)

Panamanian VAT is levied on taxable supplies of goods, services and importations.

The standard rate of VAT is 7%. However, special rates apply to different categories such as cigarettes, alcoholic beverages, lodging services etc. Certain goods such as the sale of agriculture products, medical products etc. and exports are exempted from VAT.

Double tax agreements

Panama has 15 double taxation avoidance agreements in force.

Foreign shareholders

Dividends declared by domestic subsidiaries on income earned within the Panamanian territory are subject to 10% tax (5% on dividends out of foreign source income). However, dividends on bearer shares are subject to a 20% dividend tax.

Local corporations must pay 4% complementary tax on each fiscal year's net taxed profit on behalf of their shareholders if no dividends are declared. This 4% will be applied to dividend tax when dividends are declared. The rate for companies established in a free zone is 2%.

Further, capital gains on disposal of shares of Panamanian companies are taxable at 10%. The buyer must withhold 5% from the purchase price as advancement of capital gains tax. The seller shall take such withholding as definitive capital gain tax.

IP regime

Legal

Panama has a well regulated IP regime, which provides the procedures for registering and renewal of trademarks.

IP rules

Amortisation of IP shall apply according to the term and condition of contracts, depending on each case and if incomes generated from such IP have been taxable in Panama.

R&D rules

R&D expenses shall be deducted the same fiscal period or amortised during a certain amount of years.

In case of mining, the maximum period for amortisation shall be five years.

Expatriate issues

Income tax

Individuals are taxed on all remunerations including all benefits (domestic source income) on a progressive scale of 0% to 25%. The tax free threshold limit is PAB 11,000, exceeding which a tax of 15% is levied. The maximum rate of 25% is levied for income exceeding PAB 50,000.

Capital gains realised from the sale of shares is subject to tax at the rate of 10%. The buyer must withhold 5% from the purchase price as an advancement of capital gain tax. The seller shall take such withholding as definitive capital gain tax.

Panama does not levy any tax on the net wealth of individuals. However, the individuals are subject to real estate tax. There is no inheritance tax and gift tax applicable in Panama. However, unpaid tax related to goods or incomes inherited must be paid by the inheritor.

Social security contribution

All resident individuals are required to pay monthly contributions to the public social security system at specified rates.

For employers, social security contributions on salaries, wages etc. are made at 13.5% and for employees the rate is 9.75%.

Employers are also required to pay worker's compensation insurance between 0.056% to 5.67%, depending upon the type of business and other risk factors plus an educational insurance tax at 1.5% of an employee's remuneration. The employee must pay educational insurance at a rate of 1.25%. Social security, income tax and educational insurance must be withheld by employers, otherwise employers shall be responsible solely for such taxes.

Self-employed individuals are required to contribute towards social security at a specified rate of 13.5% on total annual fees.

Expatriate rules

There are several special laws to expedite immigration to expatriates, and issue permanent or temporary residence and work permits.

Among other rules, the general rules indicate that foreign employees might not exceed 10% of the payroll. In case of specialised technicians they shall not exceed 15% of the payroll. Foreign employees that receive income from abroad and are performing jobs that are not considered from a local source, are not subject to payroll taxes.

There is no special expatriate regime in Panama. However, in case of foreign employees, the Panamanian law has established sector-wise maximum employment percentages. The common rate is 5% with certain exceptions.

Corporate set up

Corporate entity

Panamanian entities are generally organised either through the form of joint-stock companies, general or limited partnerships and limited liability companies.

Joint-stock companies are incorporated by two or more persons of legal age and each incorporator is required to subscribe to at least one share from the authorised social capital of the new entity. A minimum of three directors are required.

Corporate law does not require any minimum paid-in capital.

Cost

Company set up costs start at around USD 900 and takes around a week. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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Puerto Rico

Introduction

Investment climate

- local currency: United States dollar (USD)
- comparatively low corporate tax rate in the US jurisdictions
- special tax incentives for foreign direct investment
- skilled and highly educated work force
- massive free trade zones incentivising manufacturers

Quality of living

- advanced infrastructure
- modern transportation system
- good education system
- comfortable and affordable living
- availability of affordable housing.

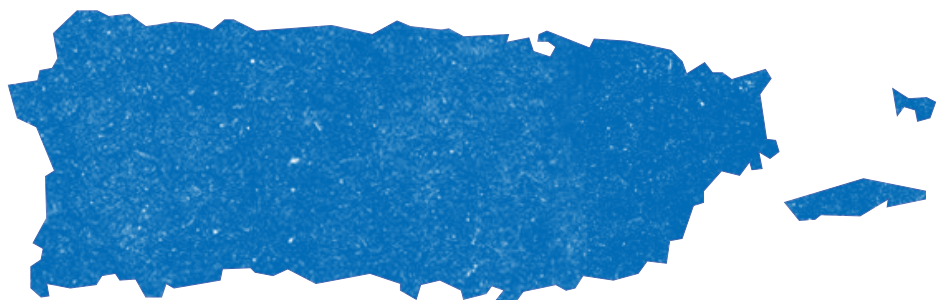
Labour, tax laws and the world-class infrastructure provide opportunities and benefits of doing business on the island, especially for manufacturing units.

Puerto Rico is a self-governing, unincorporated territory of the United States (US), located in the north eastern Caribbean, east of the Dominican Republic and west of both the US Virgin Islands and the British Virgin Islands.

Puerto Rico's skilled labour force has become the primary asset of Puerto Rico's diverse manufacturing sector and continues to be of the main reasons established companies continue to operate locally and new ones are drawn to the island. Its work-force plays a role in attracting industries as diverse as: pharmaceuticals, biologics, medical device, aviation/aerospace, information technology, renewable energy and specialised manufacturing.

Puerto Rico offers several Acts that provide tax and business incentives to qualifying business operations that establish in Puerto Rico.

Puerto Rico received approval from the US Commerce Department to convert most of the industrial holdings of the Puerto Rico Industrial Development Company (PRIDCO) into a massive free trade zone (FTZ). Manufacturers operating in the FTZ are exempt from duties on imports of raw materials. Sales taxes are payable only on goods sold within Puerto Rico. Puerto Rico's FTZs also provide savings to manufacturers exporting to the US mainland.



Puerto Rico offers a comfortable lifestyle with all the modern comforts of major international locations. Puerto Rico boasts a standard of living that is comparatively more affordable than most comparable locations across the US. Though the cost of living in San Juan parallels that of other major metropolitan areas, housing is abundant in Puerto Rico and property taxes are low. Although no formal or official documentation has been released, major tax reforms are expected during 2015. These reforms are expected to focus on income tax and sales and use tax.

Holding company

Corporate taxation

Puerto Rico corporations and non-Puerto Rico corporations engaged in trade or business in Puerto Rico face a corporate tax rate, which is composed of:

- a normal tax fixed at 20%
- a surtax

The first component is calculated by multiplying normal net taxable income with the 20% normal tax rate. The normal taxable net income is regular net taxable income less 85% (or 100%) of the dividend income received from Puerto Rico corporations.

The net income subject to a surtax is normal taxable net income minus USD 25,000. This amount is multiplied by the applicable surtax rate to determine the surtax owed.

The graduated surtax rate ranges from 5% to 19% depending upon the income bracket. The maximum surtax rate is applied for income levels exceeding USD 275,000. The first USD 25,000 is not subject to a surtax.

In determining the surtax rate applicable to corporations within a control group or in the case of related entities group, the combined net income of all the entities in Puerto Rico will be taken in consideration. If the corporation is a member of a controlled group of corporations, this USD 25,000 deduction to the normal taxable net income must be distributed among the members of the controlled group.

AMT: The Puerto Rico AMT equals the excess of the amount of the tentative minimum tax over the amount of the normal corporate tax plus surtax. For taxable years commenced after 31 December 2012 and before 1 January 2014, the computation of the tentative minimum tax is as follows:

- the AMT rate increases from 20% to 30%
- a progressive additional tax on gross income (Patente Nacional). Any corporation engaged in a trade of business in Puerto Rico will be subject to this tax.
- an adjustment of 20% of the expenses incurred or paid to related parties and/or the expenses allocated from home office to a branch located in Puerto Rico, if such payments

- were not subject to tax in Puerto Rico during the year
 - an adjustment of up to 2% of the purchases of tangible personal property from a related person or home office.
- For years commencing after 31 December 2013, the tax on gross income is no longer part of the AMT computation, but in addition to the regular tax. If paid on or before the due date of the corresponding year's tax return, it will be deductible for income tax purposes. The additional tax on gross income is applicable to entities engaged in a trade or business in Puerto Rico and generally in the range of 0.20% to 0.85% for taxable years commenced before 1 January 2014 and from 0.35% to 1.0% for taxable years commencing after 31 December 2013.

A foreign corporation (incorporated under the laws of a country other than Puerto Rico) may engage in trade or business in Puerto Rico as a division or branch of that foreign corporation or as a separate corporation or subsidiary. Resident foreign corporations are taxed in Puerto Rico on their Puerto Rico source income and on any effectively connected income at the same graduated tax rates as any domestic corporation.

In addition to normal income taxes, resident companies doing business in Puerto Rico are subject to a dividend tax at a final rate of 10% or 15% depending on the type of shareholder when profits are repatriated. If the entity operates as a branch, a branch profit tax of 10% applies to transfers of earnings and profits to home office.

Long-term capital gains for investment and other business assets held over six months (for transactions occurred on or before 30 June 2014) are taxed at a maximum rate of 15%. For sales after 30 June 2014, the holding period is over one year and the rate is a maximum of 20%. Short term capital gains are included in general taxable income.

Stamp taxes and other capital duties

Municipalities may impose, by means of municipal ordinances, a property tax of up to 10.03% per annum on the appraised value of all taxable personal property in the municipality and up to 12.03% per annum on the appraised value of all taxable real property in the municipality.

Transfer of real property is subject to a stamp tax depending upon the value of property transferred. A real property tax is imposed on the value of the property as assessed by the Municipal Revenue Collection Centre. The assessed value is the valuation of property for property tax purposes, which is estimated to be close to the fair market value of the corresponding real property in the year 1958.

Exemption from corporate tax

Puerto Rico offers several Acts that provide tax and business incentives to qualifying business operations that decide to establish in Puerto Rico. Further information can be found in the Puerto Rico Tax Incentives Guide.

Qualifying industries such as scientific research and development, manufacturing operations, recycling businesses, high technology, film, agriculture, hospital facilities, hotels and related tourist activities are eligible for full or partial exemption from income, property, municipal and other taxes.

Anti-avoidance legislation

Puerto Rico has transfer pricing legislation, but these rules are not currently enforced. More developments are expected in this area over the next few years. Nevertheless, in an attempt to perform some transfer pricing regulation, several related parties transactions are subject to disallowance for regular income tax computations and included as part of the AMT computation discussed above. However, there are no specific provisions for thin capitalisation, but Puerto Rico courts may follow US policy towards thin capitalisation.

Puerto Rico does not have CFC regulations.

Withholding taxes

Dividends paid to foreign corporations not engaged in trade or businesses in Puerto Rico are subject to a final withholding tax at the rate of 10%.

Non-residents receiving their distributive share from special partnerships, partnerships or limited liability companies are subject to a final WHT rate of 29%.

Interest on related party loans received by a non-resident corporation not engaged in a trade or business in Puerto Rico is subject to WHT at the rate of 29% on the gross amount.

Royalties received by a non-resident company that is not engaged in a trade or business in Puerto Rico is subject to final WHT at a rate of 29% on the gross amount.

Branch remittance tax is payable at 10% by a resident foreign corporation that derive less than 80% of its income from Puerto Rico activities.

Sales and Use Tax (SUT)

Puerto Rico levies SUT in place of VAT on taxable goods and services. Every merchant engaged in any business that sells taxable items is responsible to collect the SUT as a withholding agent.

The SUT rate is 7% and in general will apply to the following items:

- tangible personal property
- taxable services
- admission rights
- bundled transactions.

Important changes in this area are effective from 1 August 2014. Please contact Kevane Grant Thornton for more information.

Double tax agreements

Puerto Rico has neither entered into any double taxation avoidance agreements with any jurisdiction nor is a party of any agreements signed by the US.

Foreign shareholders

Long term capital gains are subject to a maximum rate of 10% for sales on or before 30 June 2014. Long term capitals for sales from 1 July 2014 are subject to a 15% maximum rate. Short term gains (one year or less) are subject to the regular income tax rates.

IP regime

Legal

There is no specific IP regime, though 'US Patent Law' applies in Puerto Rico.

IP rules

There is no special rule for amortisation or deductibility of IP expenditure in Puerto Rico.

R&D rules

Scientific R&D is eligible for certain tax incentives.

Expatriate issues

Income tax

Puerto Rico residents are subject to income tax on their worldwide income. Those that are non-resident are subject to Puerto Rico tax on their Puerto Rico source income.

Tax is levied on a progressive scale of 0% to 33% (the maximum rate being 33% on income exceeding USD 61,500) plus additional surtax of 5% on the tax liability determined if the taxable income exceeds USD 500,000. The basic exemption limit is USD 9,000.

A tax at 15% is levied on long-term capital gains arising on transfer of the capital asset held for more than one year prior to the realisation of the gain or loss.

Dividends and partnership profit distributions (if the partnership is treated as a corporation for income tax purposes) received by an individual from a Puerto Rico corporation are subject to a 15% special tax.

Interest from deposits in interest-bearing accounts or in certificates of deposits of individuals, estates, and trusts in banking institutions may be subject to a special 17% or 10% tax, in lieu of regular tax (above), at the option of the taxpayer.

Salaried individuals having less than USD 20,000 of adjusted gross income are typically exempt from Puerto Rico income tax. This effect is reached by applying the personal exemption, the special deduction and the earned income credit.

If the individual's net taxable income exceeds USD 300,000 for 2013 and USD 500,000 for 2014, the benefit of the graduated rates is gradually eliminated (known as 'gradual adjustment'). There is also an alternative basic tax (ABT) that may be applicable instead of the income tax determined in the manner described above. ABT is:

- 10% if the net taxable income is USD 150,000 or more but not in excess of USD 200,000
- 15% if the net taxable income is more than USD 200,000 but not in excess of USD 300,000
- 24% if the net taxable income is more than USD 300,000.

ABT on individuals includes most 'exempt income' as income for ABT purposes (including income exempted by special statute). Limited exceptions include interest on obligations of the federal government, or Puerto Rico or any instrumentality or political subdivision thereof.

Social security contribution

US social security contributions apply in Puerto Rico on the same basis and rates as in the US.

Expatriate rules

In the case of a non-resident, a charge to tax in Puerto Rico will be assessed on employment income derived from services rendered in Puerto Rico. Some exceptions apply, depending on the amount of income generated in Puerto Rico and the time spent in Puerto Rico. If the expatriate is considered a Puerto Rico resident, then all of their income, no matter where earned or derived, will be taxed in Puerto Rico.

There is also a requirement for the expatriate's employer to withhold Puerto Rico's income tax from the assessable employment income. The applicable rates will depend on the expatriate's residence status. In the case of a non-resident US citizen the required withholding is 20% of the Puerto Rico income, while in the case of an alien, the required withholding is 29% of the Puerto Rico income. Resident expatriates will have their tax withheld at source at the applicable tax rates.

There are no expatriate concessions in Puerto Rico. In the case of resident expatriates, a foreign tax credit may be claimed for taxes paid to any foreign country (including US) on income also being taxed in Puerto Rico.

Dividend income from sources within Puerto Rico is generally subject to a 15% income tax rate. The distributable share of the income from a corporation of individuals is subject to a 33% income tax rate.

Corporate set up

Corporate entity

A foreign corporation may be engaged in trade or business in Puerto Rico as a division or branch of that foreign corporation or as a separate corporation or subsidiary.

Puerto Rico's 'General Corporation Law' is based on 'Delaware Law'. In general terms, a corporation is an entity separate and distinct from its shareholders, directors, and officers. It has the power to enter into contracts, hold property, and sue and be sued on its own name; it also has continuity of life and free transferability of ownership interests.

A typical corporation's structure consists of three main groups: directors, officers, and shareholders. In the most basic terms, the corporation is owned by its shareholders, the shareholders choose the directors, and the directors are charged with overseeing the management of the corporation, which is handled by the corporate officers. The liability of corporate shareholders for the acts of the corporation, except in certain cases, is limited to their investment in its stock.

A limited liability company can be organised as corporation and be taxed as such for Puerto Rico tax purposes.

Cost

Corporation set up costs start at USD 150 for regular corporations and USD 250 for LLC's and this process takes around a week in Puerto Rico. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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Grant Thornton

An instinct for growth™

United States of America

Introduction

Investment climate

- local currency: United States dollar (USD)
- liberal investment climate
- market-oriented economy.

Quality of living

- high standard of living in the US
- the cost of living in the US depends heavily on the part of the country in which individuals live and work.

The United States (US) is one of the world's major trading markets. It welcomes foreign investment and is a relatively easy country in which to do business.

The US has a large and technologically powerful economy. In the market-oriented economy of the US, private individuals and businesses make most of the decisions, and governments buy the necessary goods and services from companies in the private marketplace.

The laws, regulations and cases governing taxation in the United States (including the 50 states, District of Columbia, and thousands of localities) are complex and ever changing.

Corporations are subject to federal income tax. In most cases they are also subject to state income taxes. Employers and employees must pay US social security taxes. The US does not have a VAT system, but almost all of the US states impose sales and use tax.



Holding company

Corporate taxation

Income taxes are imposed by the federal government, by most states and by some cities. Corporations doing business in the US are subject to federal income tax. In most cases, they are also subject to state income tax.

The regular corporate income tax is calculated as taxable income multiplied by marginal tax rates ranging from 15% to 35%.

Special taxes or rates on corporations include the alternative minimum tax (AMT), the accumulated earnings tax and the personal holding company tax.

AMT: The AMT is a parallel taxing regime that can result in additional tax, and is calculated as a regular taxable income adjusted for certain items and preferences, multiplied by a 20% rate, less any available exemption. A corporation is exempt from the AMT rules in its first year of existence, and also if its annual gross receipts are less than \$7.5M for its past three years (reduced to \$5M for its first three years of existence).

The capital gains of corporations are taxed at a maximum rate of 35%. Generally, gain from sale of shares by a foreign entity or non-resident alien is not subject to US taxation unless the US corporation is deemed a 'US Real Property Holding Corporation'.

Foreign corporations conducting trade or business in the US through a branch are generally subject to the US branch profit tax of 30% (or a lesser treaty rate) on the after-tax effectively connected earnings or profits of the branch for the taxable year, after necessary adjustments.

Stamp taxes and other capital duties

The federal government does not levy a stamp tax. The individual states may impose the levy on various instruments.

A variety of property taxes are levied by most states and localities, including taxes on the ownership of real property and certain personal property, as well as transfers of real property.

Exemption from corporate tax

Dividends received from domestic corporations are not exempt from tax however, all or a portion of such dividends may be deductible, subject to certain conditions.

Certain interest income is exempt from federal tax, such as interest received on bonds issued by the US states and municipalities, provided that the bonds are issued for approved public purposes and the issuer complies with specified requirements.

Capital gains realised in specified corporate and rollover transactions may be eligible for deferred tax treatment.

Anti-avoidance legislation

The US has a detailed transfer pricing regulations in place.

Detailed thin capitalisation rules exist in the US. There is generally a limitation on deductibility of interest expense of debt-to equity ratio exceeds 1.5 to 1.

Specified categories of income of CFCs are taxed on a current basis to 'US shareholders' of the CFC, ie US citizens, residents and domestic corporations that own (directly, indirectly or constructively) 10% or more of the CFC's voting stock.

There are other anti-avoidance rules such as passive foreign investment companies, personal holding companies, accumulated earnings tax etc.

In addition, new rules under the Foreign Account Tax Compliance Act (FATCA) have recently taken effect, and are designed to prevent US persons from evading US tax through foreign financial accounts and entities.

Withholding taxes

Dividend, interest, royalty and other income (including branch profits) paid to non-residents are subject to US withholding at a rate of 30%. However, there are certain interest payments which are not subject to withholding taxes.

Withholding tax rates may be reduced applying the provisions under the double taxation avoidance agreements depending on which country the recipient is a resident.

Value Added Tax (VAT)

The US federal government does not levy VAT. However, almost all US states and many local jurisdictions (ie counties and municipalities) impose sales and use taxes.

Sales and use tax generally applies to retail sales of goods and some services, and the use taxes generally apply to goods that have been brought into the state without payment of the sales tax. The general sales and use tax rates range from 0% to 10%, depending on the place where the transaction occurs and subject to state-set requirements.

Double tax agreements

The US has a wide treaty network that includes treaties and other trade agreements with around 66 countries across the globe.

Foreign shareholders

Foreign corporations are not subject to tax in the US on capital gains, unless such gains are effectively connected to a US trade or business, attributable to a permanent establishment in the US or are subject to the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA).

IP regime

Legal

The US has a strong and a well-regulated intellectual property rule of law and provides legal protection for copyrights, patents, trademarks, literary and artistic works, etc.

IP rules

Intellectual property can generally be amortised and deducted over 15 years.

R&D rules

A non-refundable tax credit is available for certain qualified research expenses incurred in the US. This tax credit may be used by a business to reduce its federal tax liability. In general, the research credit is limited to a maximum of 25% of the regular tax liability. Un-utilised research credit may be carried back for one year and carried forward for 20 years.

Eligible R&D costs may be expensed for federal tax purposes.

Expatriate issues

Income tax

The US imposes an income tax on the individuals at progressive rates in the range from 10% to 39.6%. The tax rate brackets are applied at different levels of income to each of the four categories of taxpayers (married filing jointly, married filing separately, single and head of household). Brackets are indexed annually to reflect inflation. An alternative minimum tax may apply, while capital gains and dividends are subject to different rates. Most states also impose an income tax on individuals.

Social security contribution

The Federal Insurance Contributions Act (FICA) imposes both US Social Security and Medicare tax on all compensation received for services performed within the US. FICA requires matching contributions from the employer and the employee for both Medicare and US Social Security (also called old age, survivors, and disability insurance, or OASDI). The OASDI rate is generally 6.2% for both employers and employees and applies up to an annual wage cap of \$118,500 in 2015. The Medicare tax rate is 1.45% for both the employer and the employee (plus an additional 0.9% employee portion for wages above a certain threshold), and it is not capped.

Self-employed individuals are required to pay both the employer and employee portions of FICA taxes, although they are entitled to an income tax deduction for the employer portion.

In addition, a new 3.8% Medicare tax on net investment income above a certain threshold became effective in 2013.

Expatriate rules

Non-residents who acquire US citizenship or residence are taxed in the same manner as US citizens.

No special tax regime applies to inward expatriates. Non-residents are taxed on territorial basis, ie tax payable on US source income.

An expatriate regime applies to US citizens who renounce their US citizenship and to long term US permanent residents who surrender or lose US lawful permanent residence status and who are deemed to have done so for tax avoidance purposes.

Corporate set up

Corporate entity

A corporation is a popular entity set-up for doing business in the US for legal, tax, and commercial reasons. Forming a corporation is generally a very simple procedure.

There is generally no minimum capital requirement imposed, although each state may vary in requirements. Some states may impose restrictions on the issuance of shares and the type of business conducted.

Another form of entity, ie the limited liability company is a hybrid business organisation that generally is disregarded or treated as a partnership for federal and state income tax purposes but provides corporate liability protection for its owners or members. To a far greater extent than a corporation, a limited liability company may be organised in accordance with the agreement of its members. Accordingly, limited liability companies are viewed as flexible vehicles for conducting business.

Cost

Company set up costs start at USD 750 and take around five days.

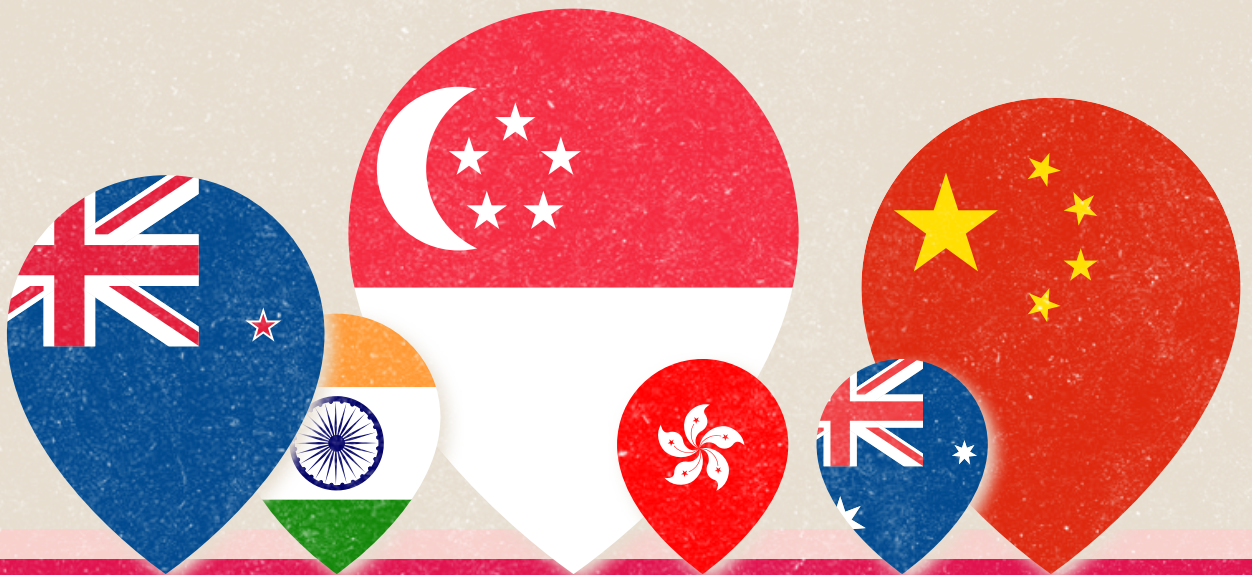
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Key country profiles – Asia Pacific

This section provides an overview of the commercial and legal benefits of the jurisdiction, the holding company and IP holding regimes, as well as expatriate costs and planning opportunities for the key holding company locations in the Asia Pacific region.





Grant Thornton

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Australia

Introduction

Investment climate

- local currency: Australian Dollar (AUD)
- open and developed economy
- major financial centre in the Asia Pacific region
- highly skilled and multilingual workforce.

Quality of living

- high standard of living
- advanced infrastructure and telecommunication systems
- excellent education system.

Australia's open regulatory environment and its robust taxation system encourages foreign investment.

Located between the Indian and Pacific oceans, Australia, an island continent, is the world's sixth largest country. Australia has a federal system of government within which there are four divisions: Commonwealth, State, Territory and local governments. It is divided by a written constitution into a federation of six states and two territories.

Australia is a multicultural country with a large immigrant population. A developed and open economy, Australia offers a favourable investment environment and tax benefits for foreign investors.

Australia's major industries include property and business services, manufacturing, wholesale and retail trade, finance and insurance, construction, health and community services, transport and storage, mining, education, distribution and agriculture.

Australia is a major financial centre, providing a comprehensive range of financial services in the Asia Pacific region and houses the Australian Securities Exchange, one of the world's top ten listed exchanges.

Australia has nurtured a highly educated, skilled and multilingual workforce. The average cost of living in Australia is moderate to high compared to Western European standards and the standard of living is high.

Australia is well connected with the other parts of the world by air and sea modes of transportation.



Holding company

Corporate taxation

Companies resident in Australia are subject to income tax on their worldwide taxable income, including net capital gains. Non-residents are subject to income tax on their Australian-source income, subject to any applicable treaty relief.

The corporate income tax rate in Australia is currently 30%.

Stamp duty and other capital duties

Stamp duty is a state and territory tax imposed either at a fixed rate or in proportion to the value of the transaction depending on the relevant state stamp duty legislation.

Conveyances of property are generally subject to ad valorem stamp duty. The rate of stamp duty on the transfer of real property and other business property varies, but generally does not exceed 7%.

Stamp duty is also payable on indirect transfers of real property, declaration of trust, settlements, lease and other hiring arrangements, loans, securities, insurance policies, etc.

An annual land tax is imposed on the unimproved value of land, subject to certain thresholds and exceptions. It is levied by all states and territories, with the exception of the Northern Territory.

There is no capital duty or taxes on gifts, deaths or inheritance.

Exemption from corporate tax

Australian companies with a non-portfolio shareholding (10% or more voting power) in a foreign company are generally exempt from Australian income tax on dividends paid by the foreign company and no foreign tax credit is allowed in respect of such dividends.

Capital gains arising from the disposal of shares in a foreign company (in which the Australian company has at least a 10% interest) engaged in an active business, are either fully or partially exempt from tax in Australia.

Anti-avoidance legislation

Australia has a general anti-avoidance rule which supplements other specific anti-avoidance rules. The general rule is applied to disregard the tax effect of schemes entered into with a primary or dominant purpose of obtaining a tax benefit.

Withholding taxes

Dividends paid by an Australian company may be 'fully franked', 'partially franked' or 'unfranked'. Franked dividends carry franking credits for the corporate taxes paid. Franked dividends paid to non-residents are not liable to dividend withholding tax. Unfranked dividends paid to non-residents are subject to a final withholding tax of 30%.

Interest payments to non-residents are liable to a final withholding tax of 10% on a gross basis, subject to certain exemptions.

Royalty payments to non-residents are subject to a final withholding tax of 30% on a gross basis.

Withholding tax rates may be reduced by applying the provisions under double taxation agreements, depending on the country in which the recipient is a resident.

Indirect taxes

Australia has a goods and services tax (GST) regime which covers supplies of goods and services connected with Australia, exports of goods and services out of Australia and the importation of goods into Australia. The standard GST rate is 10%.

Certain supplies of goods and services such as basic food items, water, sewerage and drainage services, certain health services, education etc. are GST free.

Double tax agreements

Australia has concluded double taxation agreements with more than 40 countries, including all OECD member countries.

Non-resident capital gains tax

Non-residents are subject to tax on capital gains only where the capital gains are from 'taxable Australian property' assets. Capital gains on disposal of shares in an Australian company by foreign shareholders are taxable in Australia where the company has a material direct or indirect interest in Australian real property.

IP regime

Legal

Australia offers a legal framework for protection and recognition of patents, trademarks, copyrights, integrated circuit layout and design.

IP rules

Patents, copyrights, etc. can be amortised for tax purposes over a specified effective life.

R&D rules

The policy behind the Australian R&D tax credit system is to encourage companies to undertake R&D in Australia. The components of the R&D tax credit program are:

- a refundable 45% tax offset for eligible companies with an aggregated turnover of less than AUD 20 Million per annum
- a non-refundable 40% tax offset for all other eligible companies.

A company may still have access to the Australian R&D tax credit if the R&D is undertaken in Australia, even if the related intellectual property is held overseas. Unutilised tax credits may be carried forward indefinitely.

Expatriate issues

Income tax

Resident individuals are subject to income tax on their worldwide income, including net capital gains. Non-residents are subject to Australian tax on Australian-source income only.

A progressive tax system with rates ranging from 0% to 45% is levied (first taxable bracket starts at AUD 18,200 and last bracket is AUD 180,000 and over).

A 1.5% Medicare levy may apply to resident tax payers. From 1 July 2014, the Medicare levy has been increased to 2%.

For non-residents, a tax rate ranging from 32.5% to 45% is levied on Australian taxable income. The maximum rate of 45% is applicable to Australian taxable income exceeding AUD 180,000. Non-residents are not liable for the Medicare levy.

Payroll tax is levied on employers by the states and is calculated based on the salaries and wages paid to employees, including fringe benefits tax, subject to certain thresholds.

Fringe benefits tax is levied on the employer in respect of the benefits provided to employees or their related parties in connection with their employment.

Social security contribution

Although Australia does not have a social security system, a Medicare levy is payable by resident individuals.

Qualifying individual taxpayers are required to pay a Medicare levy of 1.5% of their taxable income (subject to exceptions). From 1 July 2014, the Medicare levy has been increased to 2%.

Employers are required to make compulsory contributions to designated superannuation funds on behalf of their employees of 9.25% (to be increased to 12% between 1 July 2014 and 1 July 2019) of gross salaries and wages. These payments are deductible to the employer when paid, subject to a cap of AUD 25,000 per employee.

Expatriate rules

An exemption from Australian tax on foreign-source income is generally available for temporary resident individuals.

Corporate set up

Corporate entity

The most common form of business presence is a company limited by shares, whether public or private.

Private and public companies require a minimum of one shareholder. While a maximum of 50 shareholders is allowed for private companies, there is no limit on the number of shareholders for public companies.

A minimum of three directors is required to set up a public company in Australia, with at least two of these directors required to be Australian residents. A minimum of one Australian resident director is required to set up a private company.

Cost

It takes around a week to set up a company in Australia. Company set up costs start at around AUD 450 (exclusive of consultant fees).

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Grant Thornton

An instinct for growth™

China

Introduction

Investment climate

- local currency: Renminbi (RMB) or Yuan (CNY)
- tax incentives for certain specified enterprises
- availability of skilled and unskilled workforce.

Quality of living

- high cost of living
- rapidly rising standards of education
- high levels of employment.

The People's Republic of China (China) is a unitary state situated in eastern Asia on the western shore of the Pacific Ocean. The Hong Kong and Macau Special Administrative Regions are not under the tax jurisdiction of China and thus, the tax treaties concluded by China are not applicable to Hong Kong and Macau.

China's rich manpower, both skilled and unskilled, has turned China into one of the most important manufacturing bases in the world. China's economy is becoming more market oriented and emphasis is being laid on strengthening basic industries, infrastructure, energy, and transport.

China is encouraging foreign participation in investment projects by taking measures to make the investment climate more favourable and less bureaucratic.

High-new technology enterprises, small and medium-sized enterprises and qualified technology advanced service enterprises are eligible for a number of tax incentives.

The government encourages R&D activities, while taking a stringent position on the approval of R&D incentives. There are many national economic and technological developmental zones in China.

Protection of intellectual property was an area of concern, following which the government has upgraded intellectual property protection to international standards.



Holding company

Corporate taxation

The Chinese Enterprise Income Tax (EIT) law provides unified tax treatment for all enterprises and other organisations that obtain income within China, including foreign-invested enterprises (FIEs) established in China and non-tax resident enterprises which derive income within China territory.

A tax resident enterprise (TRE) is subject to tax on its worldwide income at 25%.

The EIT rate applicable to small-scale enterprises with low profitability that meet certain conditions shall be reduced to 20% and to enterprises with new high-technology status is 15%.

Non-TREs are taxed on their China-source income only. If the non-TRE has a permanent establishment in China, the non-PRC source income effectively connected with China is also taxed at 25%. If a foreign enterprise without an establishment in China derives income in the nature of interest, rent and royalties, it will be subject to business tax or VAT accordingly and withholding income tax at a standard rate of 10% under EIT law (unless a double tax treaty/arrangement applies).

Capital gains and losses are treated in the same manner as other taxable income and losses. However, China-sourced capital gains derived by non-TRE, such as gains from the disposal of a foreign-invested enterprises (FIE), are subject to a 10% withholding tax (unless a double tax treaty/arrangement applies).

Stamp taxes and other capital duties

Stamp duty applies to contracts, agreements, and certain legal documents. There are 13 specified categories of documents, 12 of which are subject to stamp duty rates ranging from 0.005% to 0.1% on the value of transaction. Transfer of public shares in respect of purchases, sales, inheritances and gifts are subject to stamp duty at the rate of 0.1% of the value of the shares.

Other applicable taxes include real estate tax, deed tax and land appreciation tax.

Real estate tax is levied on land and buildings at 1.2% per annum on the original cost less a variable allowance or at 12% per annum on rental income.

Deed tax is imposed at 3% to 5% on the total value of land use rights or building ownership rights when transferred.

Profits on sales of land and buildings in China are subject to land appreciation tax ranging from 30% to 60%. Land appreciation tax is deductible for income tax purposes.

Exemption from corporate tax

The following incomes derived by the enterprises shall be exempted from EIT:

- interest from state treasury debts
- qualified dividends, profit distributions and other returns on equity investments derived by a TRE from another TRE
- dividends on equity investments derived by a non-TRE from another TRE, to the extent that the dividends, profit distributions and other returns are effectively connected with the establishment or place of business in the PRC of the Non-TREs.

Exemption and reduction of tax is applied to income derived from the following projects:

- agriculture, forestry, animal husbandry, fishing industries
- infrastructure projects
- environmental protection, energy and water savings projects
- technology transfers under certain conditions.

Anti-avoidance legislation

China has established a comprehensive transfer pricing regime.

A general anti-avoidance rule exists in China for adjusting the arrangements that may result in reduction of tax payable or are made without any justifiable commercial or business reason. Detailed thin capitalisation rules and CFC legislation exist in China.

Withholding taxes

Dividends, interest and royalties paid to a resident enterprise are not charged to withholding tax, but included in the taxable income of the resident enterprise and taxed accordingly, except where exempted.

Dividends, interest and royalties paid to non-residents are subject to a final WHT of 10% on the gross amount. Fees paid for technical assistance and services are regarded as royalty and taxed at the same rates as applicable to royalties.

Capital gains derived by non-residents, including from sale of shares held in Chinese entity directly or indirectly are subject to WHT at the rate of 10% on the net gains.

Withholding tax rates may be reduced applying the provisions under the double taxation avoidance agreements depending on which country the recipient is a resident.

Value Added Tax (VAT)

As China has been undertaking VAT reform (Business Tax to Value Added Tax reform) in recent years, the scope of VAT keeps on expanding. Professional advice on the details is recommended.

Traditionally, VAT is imposed mainly on the supply of goods and the provision of some selected services. The standard rate of VAT is 17% for most taxable goods. However, for different taxable services, the rate will be 6%, 11% or 17% accordingly. A lower rate of 13% applies to goods which are considered essential such as grain, utilities, animal feed, etc. and 2% applies to the sale of second hand goods. Certain goods used for agricultural purpose, medical or health care, scientific research, etc. are exempt from VAT.

From 2013, certain specified services have been made subject to VAT, such as, logistics, modern services, leasing of tangible movable goods. Applicable VAT rates range from 6%-17% depending on nature of services.

Double tax agreements

China has a vast treaty network and has currently entered into double taxation agreements with about 96 countries around the world.

Foreign shareholders

Capital gains from disposal of shares held by non-residents in Chinese enterprise are subject to final withholding tax of 10% subject to treaty benefits.

A 10% withholding tax is imposed on dividends paid to non-resident company.

IP regime

Legal

Patents, trademarks, and copyrights are governed by separate laws. Legislation on specific areas such as computer software protection, and pharmaceutical protection has also been adopted.

IP rules

The IP must be registered and owned locally. The company claiming the R&D incentive must have effective ownership of the IP.

The amortisation period of intangibles is generally ten years. However, it can also be the useful life as stated in the agreement, for example when intangibles are contributed as equity investments.

Transfer of technology could apply to tax authorities for exempting from VAT.

R&D rules

China offers incentives to taxpayers eligible for the technologically advanced service enterprise (TASC) and the high-new technology enterprise (HNTE) status. It also provides pre-tax super deductions of 150% on qualifying R&D expenditures incurred during the year.

The R&D related incentives are:

- a preferential income tax rate of 15% applied to HNTE
- a reduced CIT rate of 15% is applied to TASCs
- resident enterprises are allowed to deduct 150% of qualified R&D expenses.

Expatriate issues

Income tax

Individual income tax is assessed on a monthly basis on a progressive scale, it ranges from 3% to 45%.

Individuals earning income from rendition of personal services exceeding CNY 20,000 per payment are taxed at progressive rates of 20% to 40%.

Dividends received by individuals are taxed at 20%. Interest received is taxed at 20%. Royalties are taxed at 20% subject to a deduction of 20% of the payment.

There is no capital gains tax in China. Instead, capital gains are subject to individual income tax as income from transfer of property. Interest income, dividends and other investment income arising in China is subject to individual income tax.

Social security contribution

Both the employer and employee must contribute to a pension fund, medical insurance fund, maternity insurance, unemployment insurance and work related injury insurance.

The social security insurances for expatriates is determined based on the agreement entered into by China with the respective countries of residence of the expatriates.

Foreign nationals working in China are required to participate in the social security scheme unless an exemption applies under a bilateral social security totalisation agreement.

The social security contributions made by employers are deductible for income tax purposes subject to specified limit.

Expatriate rules

Special rules apply to expatriates, depending on their duration of stay in China.

The key factors for determining whether an individual has to pay individual income tax in China and the scope of the liability are whether the individual is domiciled in China, the period of the expatriate's stay in China and the source of income.

Where a non-mainland-China domiciled individual working in China receives wages and salaries from a foreign employer and the payment is not ultimately borne by an establishment in mainland China, their individual income tax exposure depends on the length of residence in China in a year as follows:

- not more than 90 days – exempt from individual income tax
- more than 90 days but less than five years – mainland China source income during the period of residence in mainland China is subject to individual income tax
- over five years – from the 6th year, worldwide income is subject to individual income tax.

In addition to the fixed monthly deduction of RMB 3,500 for all employment income earners, expatriates are also entitled to an extra monthly deduction of RMB 1,300.

Dividends earned by foreigner individuals from FIEs shall be exempted from IIT.

Corporate set up

Corporate entity

The principal forms of business open to foreign investors in China are classified under the following headings:

- equity joint ventures
- cooperative joint ventures
- wholly foreign owned Enterprises (WFOE)
- joint stock companies.

WFOEs are established exclusively with the foreign investor's capital and are limited liability companies.

Joint stock companies, also known as companies limited by shares, are established primarily in order to be able to list on Chinese or foreign stock markets. The capital stock of a joint stock company is made up of equal value shares. Contributions are made by both domestic and foreign shareholders.

The most common form of corporation in China are limited liability company and joint stock company.

A limited liability company can be formed with maximum number of shareholders being restricted to 50, or can also be formed by one natural person. However, there is a minimum registered capital limitation for some specific industries.

A joint stock company must have a minimum of two and maximum of 200 sponsors, of whom at least half must be domiciled in China. However, there is a minimum registered capital limitation for some specific industries.

Foreign investors may carry on business through a wholly owned subsidiary, equity or cooperative joint venture, foreign invested partnership, branch or a representative office.

Cost

Company (with a foreign interest) set up costs start at approximately CNY 1,000 and it takes around 2-3 months. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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Grant Thornton

An instinct for growth™

Hong Kong

Introduction

Investment climate

- local currency: Hong Kong dollar (HKD)
- world's freest and most competitive economy
- service oriented economy.

Quality of living

- high cost of living
- excellent standards of living
- sophisticated communications and infrastructure.

Hong Kong has always adopted a laissez-faire economic policy and this has helped businesses to flourish.

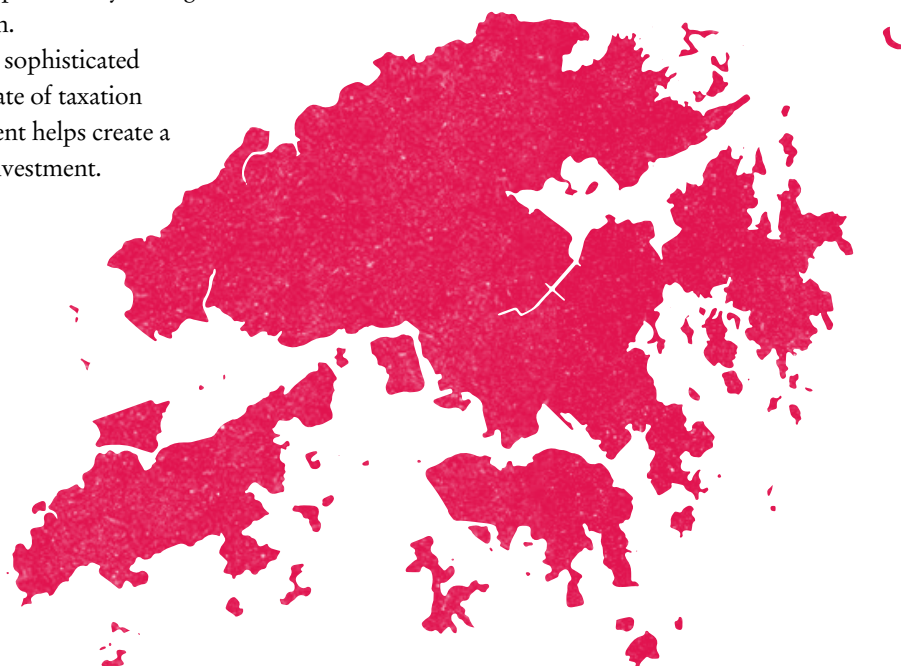
With a central location in East Asia and with a rapidly growing mainland China as its hinterland, the Hong Kong Special Administrative Region (HKSAR) is an international business, trade and financial hub. Building on its traditional free market economic policy, Hong Kong has developed into a modern, vibrant and cosmopolitan services economy, underpinning the role of the city as a global business platform.

Hong Kong's economy is characterised by free trade, low taxation and the minimum government intervention. Hong Kong is also a major service economy, with particularly strong links to China and rest of Asia Pacific region.

As an international financial centre with sophisticated communications and infrastructure, a low rate of taxation and an open economic policy, the government helps create a favourable environment to attract foreign investment.

The government welcomes and encourages foreign investment, so there is no restriction on foreign ownership in Hong Kong.

In order to attract more foreign investment to Hong Kong, the HKSAR Government maintains a low and simple tax system.



Holding company

Corporate taxation

The Hong Kong profits tax system is territorial. In other words, only income arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong is chargeable to profits tax. Foreign-sourced income and profit arising from sale of capital assets are not chargeable to profits tax.

Profits tax is levied at 16.5% in case of corporations and 15% in case of unincorporated business.

Stamp taxes and other capital duties

Hong Kong also imposes a stamp duty on transfer of Hong Kong stock, Hong Kong bearer instruments, immovable property located in Hong Kong as well as lease of immoveable properties located in Hong Kong.

Stamp duty is charged on transactions in respect of conveyance on sales or the lease of immovable property located in Hong Kong, instruments for the transfer of Hong Kong stock and Hong Kong bearer instruments.

On conveyance on sale of immovable property, the stamp duty rate varies from 1.5% to 8.5%.

The buyer's stamp duty is charged to any person (including a corporation) except for a Hong Kong permanent resident who acquires a residential property located in Hong Kong at a flat rate of 15% based on the higher of consideration and market value.

Stamp duty on transfer of Hong Kong shares is 0.2% of the value of the shares transferred, which is shared equally between the buyer and the seller.

A 'special stamp duty' (5% to 15% on property value) is also levied on transactions of residential properties in Hong Kong if the property is acquired by the vendor between 20 November 2010 and 26 October 2012 and resold within 24 months after acquisition. On or after 27 October 2012, any residential property acquired either by an individual or a company (regardless of where it is incorporated), and resold within 36 months, will be subject to the new rates of special stamp duty at 10% to 20% of the property value.

Exemption from corporate tax

Dividend income is exempt from tax and there is no tax on capital gains.

Anti-avoidance legislation

General anti-avoidance rules exist in Hong Kong. Hong Kong has brief but effective transfer pricing guidelines and there are no thin capitalisation and CFC rules in Hong Kong.

Withholding taxes

Withholding taxes are levied on royalties/ license fees paid to non-residents for the use of or right to use of any IP, eg trademark, patent, in Hong Kong or outside Hong Kong if the Hong Kong payer claims a profits tax deduction for the payment.

Unless the non-resident corporate recipient is associated and the IP was previously owned by a Hong Kong taxpayer (in which case the withholding tax amount is 16.5%), the Hong Kong payer is required to withhold 4.95% of such royalties/ license fees (ie deemed assessable profits of 30% multiplied by the current profits tax rate of 16.5% for corporations).

In addition, goods on consignment sold in Hong Kong by a resident agent on behalf of a non-resident principal are subject to withholding tax at 0.5% of the gross proceeds.

No withholding tax is levied on dividend and interest payments paid to non-residents.

Value Added Tax (VAT)

Hong Kong does not levy any VAT, sales tax or goods and services tax.

Double tax agreements

Hong Kong has 30 signed double tax treaties.

Foreign shareholders

There is no capital gains tax for non-residents on the disposal of shares from a Hong Kong entity.

Dividend income is also not taxable.

IP regime

Legal

Intellectual property is regulated under various legislation such as trademarks ordinance, patents ordinance, registered designs ordinance and copyright ordinance.

IP rules

Royalties received from the use or right to use such IP are included in taxable income. An immediate 100% write-off is allowable for computer software and computer systems. Trademarks and designs are not depreciable.

R&D rules

There are no specific tax incentives regarding R&D activities.

Expatriate issues

Income tax

Hong Kong's tax system is territorial.

Employees are subject to salaries tax in respect of their employment income. The rate of salaries tax will be the lower of:

- a. net assessable income less allowable deductions at the standard rate of 15%
- b. net assessable income less allowable deductions and personal allowances at progressive rates as follows:
 - first HK\$ 40,000 – 2%
 - next HK\$ 40,000 – 7%
 - next HK\$ 40,000 – 12%
 - remainder – 17%.

There is no capital gains tax in Hong Kong. However individuals who regularly buy and sell Hong Kong property may be subject to profits tax on the proceeds if the revenue authorities consider that they are carrying on the business of trading in property.

Social security contribution

There are no social security taxes in Hong Kong. However, Hong Kong does operate a Mandatory Provident Fund (MPF) scheme whereby every employer contributes 5% of an employee's relevant monthly income into a registered MPF scheme. Employees with relevant monthly income of HK\$7,100 and above must make a matched contribution into the same scheme. The benefits derived from all such contributions are preserved in the scheme account until an employee reaches the statutory retirement age.

Mandatory contributions to an MPF scheme are limited to a maximum of HK\$1,500 per month for both the employer and employee.

Expatriates who are members of an overseas retirement scheme are generally exempted from joining an MPF scheme until such time as they obtain a Hong Kong permanent identity card (which can normally be obtained after seven years).

Neither employers, nor employees are required to make a contribution to any social security system. The government has funding to provide comprehensive social security assistance to those who need it in the community.

Expatriate rules

Only Hong Kong sourced income from employment, office or pension, or rental income from solely owned property located in Hong Kong or sole proprietorship business in Hong Kong are taxable in the hands of the relevant individual. Normally, an individual is eligible for personal allowances and various deductions in order to reduce his taxable income, and progressive rates of 2% to 17% will then apply to the balance to compute tax liability. Alternatively, a flat rate of 15% will be applied to the individual's taxable income after various deductions (but without personal allowance) in order to compute tax liability.

Corporate set up

Corporate entity

A wide range of business vehicles is available to foreign investors when doing business in Hong Kong. There is no requirement to have resident management, such as directors or resident shareholders in Hong Kong.

The options of setting up business vehicles in Hong Kong for both local and foreign investors include unincorporated businesses such as a partnership and sole proprietorship, and an incorporated company. In addition, foreign companies also have the choice of establishing a representative office or a branch office in Hong Kong.

Most common entity in Hong Kong is a 'company'. A limited company must have the word 'limited' at the end of its name. A private company is a company whose memorandum or articles:

- restricts the right to transfer its shares
- limits the number of members to not more than 50 (excluding present and past employees)
- prohibits any invitation to the public to subscribe for shares or debentures.

In a public company, no such restrictions are imposed.

There is no prescribed minimum share capital and all shares must have a stated nominal value. Under the new companies ordinance, which is expected to be effective in 2014, a mandatory system of no-par for all companies with a share capital will be adopted. Share capital may be divided into different classes of shares with different rights attached as set out in the 'Articles of association'.

A private limited company must have at least one director which can be either an individual or a corporation. Under the new companies ordinance, which is expected to be effective in 2014, at least one director should be a natural person. The director, individual or corporation, can be of any nationality, domicile or residence.

Other than establishing a company, a foreign corporation can establish branch offices or representative offices in Hong Kong.

Cost

The government currently levies an incorporation fee and business registration fee of HKD3,970 for the setting up of a company.

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Grant Thornton

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India

Introduction

Investment climate

- local currency: Rupee (INR)
- vibrant economic environment
- large pool of unskilled and semi-skilled workforce
- thrust on building infrastructure.

Quality of living

- large population of foreign nationals
- good telecommunications infrastructure
- extensive rail and road network.

India is one of the emerging markets that has potential for massive business growth and expansion. India's large pool of human resource and the prevailing cost arbitrage are an advantage for manufacturing and service centers.

India is the world's largest democracy, with a long established and robust democratic, federal system. India has a large market, and a growing middle class with substantial purchasing power. India has a long established legal and accounting system, an independent judiciary, a free and vibrant press, and a strong tradition of entrepreneurship.

India's credentials include a large English-speaking, scientific, technical and executive manpower resource and an abundant supply of raw materials.

India's economic policies are designed to attract significant capital inflows into the country on a sustained basis, and encourage technological collaboration agreements with foreign firms. Policy initiatives taken over the past few years have resulted in significant inflows of foreign investment in all areas of the economy, except those reserved for the public sector.

Skilled managerial and technical manpower, good transport links and an excellent telecommunication system increase the potential for international trade.

India has a low cost of living and the quality of living varies to the extremes. However, the standard of living in the metropolitan cities is comparable to the best in other developing countries.

India levies federal corporate and personal tax.



Holding company

Corporate taxation

The corporate tax rate on a domestic company is 30%. Surcharge (0%, 5% or 10% depending on the level of income), education cess at the rate of 2% and secondary and higher education cess at the rate of 1% are also applicable.

If a company's tax liability is below 18.5% of its book profits, the book profits are deemed to be its taxable income and subject to a minimum alternate tax of 18.5%, plus surcharge (if applicable).

Domestic companies are required to pay dividend distribution tax on the amount declared, distributed or paid by way of dividends out of their current or accumulated profits, even if the company has no tax payable.

Passive income such as interest and capital gain is also taxable.

Stamp taxes and other capital duties

Stamp duty is paid for a transaction executed by way of a document or instrument under the provisions of the 'Indian Stamp Act' or the 'State Acts'. Stamp duty is applicable on purchase of immovable property and also on various other transactions, eg lease, conveyance, mortgage, partitions, transfers, etc. A stamp duty levy is generally dependent on the State where the agreement is executed.

Typically, for immovable property, this duty is payable in the State where the property is located. The rates of stamp duty on instruments related to the transfer of immovable property vary from State to State, altering between 3% and 10% of the fair/ true market value of the property.

The owner of a property (usually real estate) is liable to pay property tax. The amount of tax is estimated on the value of the property being taxed (ad valorem tax) at applicable rates. Property tax is levied on residents by local municipal authorities of the respective cities, to sustain basic civic services in the city.

Exemption from corporate tax

There are various profit linked incentives for a particular type of businesses which result in either full or partial exemption, or reduced tax rates.

Anti-avoidance legislation

There are general anti-avoidance rules (GAAR) to curb Impermissible Avoidance Arrangement (IAA) entered into by a person to avoid taxes. An arrangement would be considered an IAA where the main purpose of the same is to obtain a tax benefit.

GAAR deals with aggressive tax planning involving use of sophisticated structures. The provisions of GAAR would be effective from 1 April 2015.

There are no thin capitalisation, or CFC legislation in India although the general anti-avoidance rules may apply to such transactions.

There are detailed transfer pricing regulations, regulating both international as well as domestic transactions.

Withholding taxes

There is no withholding on dividends.

The Indian tax laws cast an obligation on each taxpayer to withhold tax on the following, among others:

- salaries
- interest
- rent
- commission or brokerage
- payments to contractors
- professional/ technical fees/ royalty
- payments to non-residents
- consideration payable on transfer of immovable property.

Tax at 25% is applicable on the payment of royalty and fees for technical services paid/payable to non-residents.

Tax at 5% is applicable on interest payable by an Indian company to a non-resident, for monies borrowed in foreign currency from a source outside India, either under a loan agreement or by way of issue of long-term infrastructure bonds, subject to certain conditions.

Similarly, a 5% tax rate is applicable on interest payable to a FII or a qualified foreign investor on a rupee denominated bond of an Indian company or a government security, subject to certain conditions.

Other interests are chargeable to tax at 20%.

Withholding tax rates may be reduced applying the provisions under the double taxation avoidance agreements depending on which country the recipient is a resident.

Extensive provisions are built in for enforcement of compliance with tax withholding obligations.

Value Added Tax (VAT)

VAT is an intra-state multi-point tax system administered at the State-level and is levied on sale of goods at each stage of the sales process.

The rate of local VAT depends on the description of the goods, the rate of tax mentioned in the applicable State VAT tax legislation, various VAT tax concessions/ exemptions as may be available in such State, etc.

Every State has its own VAT legislation and independent tariff for fixing the rate of goods for intra-state sale of goods.

The basic rate slabs under VAT are as follows:

- 0% for natural and unprocessed products and other essential goods, including life saving drugs
- 1% to 2% for special goods such as gold, bullion, silver, etc.
- 4%/5% for industrial input, drugs and medicines, IT products, capital goods and intangible goods, ie patents and others, as well as items of basic necessity
- 12.5% to 15% for all other goods that do not fall under any of the categories mentioned above.

Further, India has certain other indirect taxes leviable by Federal as well as State Government, such as:

- Customs duty – Federal levy on import of goods into India
- Central Excise – Federal levy on manufacture/production of goods in India
- Service tax – Federal tax on provision of services
- Research & Development Cess – Federal Cess on import of technology into India
- Central Sales Tax (CST) – Federal tax on inter-state sales of goods, administered and controlled by appropriate state(s)
- Entry tax/Octroi – State based tax on entry of goods into state/municipality for use, consumption or sale therein.

Double tax agreements

India has entered into 85 comprehensive, 12 limited and multilateral, one specified association and nine tax information exchange agreements with various nations/territories.

Foreign shareholders

Tax on capital transaction is levied in the form of capital gains tax on transfer of a capital asset including shares.

IP regime

Legal

India has codified laws for protection of patents, copyrights, IP and trademarks.

IP rules

Depreciation on intangible assets such as knowhow, patents, copyrights, trademarks, licences, franchises or other similar business or commercial rights is available.

R&D rules

200% weighted deduction is available on in-house scientific R&D expenditure (not being expenditure in the nature of cost of any land or building).

A 125% weighted deduction is available with respect to payments made for outsourced R&D activities to approved Indian companies which have scientific R&D as their main object.

A 100% deduction is available on capital expenditure (other than land) on scientific R&D related to the business carried on by the company.

Expatriate issues

Income tax

Individuals (residents and non-resident), whether citizens or non-citizens, are liable to income tax in respect of income accruing in, or derived from India.

Individuals are taxed on all remuneration (including benefits in kind) in India on a progressive scale of 0% to 30%.

India does not levy gift tax under a separate statute. Under the Indian tax laws, sums or property received are taxable in the hands of the recipient, subject to certain valuation norms. No estate or death duty is charged.

Social security contribution

Social security contributions are required to be made by employers in respect of their employees to the 'employees provident fund' and the 'employees state insurance corporation'.

Foreign nationals working for an Indian entity would be considered as international workers, subject to the provisions under the relevant totalisation agreement.

Every covered employer will be required to make a contribution towards provident fund and pension fund for every international worker employed. There are norms prescribed for 'coverage' of an employer.

Expatriate rules

Various personal and other reliefs and rebates are allowable from assessable income.

Corporate set up

Corporate entity

A company is the most common form of business entity in India.

An Indian company can be set-up as a wholly owned subsidiary or joint venture depending upon the foreign direct investment guidelines (ie in case 100% foreign direct investment is allowed then, the wholly owned subsidiary can be set-up while where there is a sectorial cap, then a foreign company can hold share capital only to the extent allowed and Indian partner(s) would be required for balance shareholding)

An Indian company is a limited liability company registered with the Company Law authorities. The snapshot of the company structure in India is:

- **Type of company** – An Indian company can be incorporated as a private limited company or a public limited company.
- **Minimum share capital** – While a private limited company requires a minimum share capital of INR 100,000, public limited company must have INR 500,000 as minimum capitalisation.
- **Number of shareholders and directors** – A private limited company is required to have a minimum of two shareholders (seven in case of public limited company) and two directors (three in case of public limited company). Further, the Board of Directors of an Indian entity should have at least one director who has stayed in India for a total period of not less than one hundred and eighty-two days in the previous calendar year.

In case of a wholly owned subsidiary, other shareholders can be a nominee (which should be an individual) of the first shareholder. The individual appointed as a nominee shareholder will be required to be personally present once each financial year at the registered office of the company, or in the city/town, where the registered office is located to attend an annual general meeting.

Cost

The company set up costs start at around INR 25,000 and can be set up in a minimum of four to six weeks. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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New Zealand

Introduction

Investment climate

- local currency: New Zealand dollar (NZD)
- open and resilient economy
- dependence on international trade.

Quality of living

- excellent international air and telecommunication connections
- affordable cost of living
- low inflation environment.

New Zealand is endowed with a wealth of natural resources and encourages economic development through the use of these resources. It also has a growing manufacturing and service sector and a developing high-tech capability.

New Zealand is situated in the South Pacific Ocean and comprises two islands, the North Island and South Island.

New Zealand has a relatively deregulated and open economy. It is ranked as one of the easiest countries in which to do business, one of the least corrupt and having one of the highest levels of economic freedom. Major industries include agriculture, forestry, fishing, horticulture manufactured goods and food processing.

New Zealand is a proponent of free trade and encourages foreign investment; nevertheless, consent is required for certain categories of investment in New Zealand by overseas persons.

As a multi-cultural country with ethnic diversity, it offers an obtainable living and enjoyable lifestyle. The cost of living varies depending on where a person chooses to live.



Holding company

Corporate taxation

Resident companies are subject to tax on their worldwide income. Non-residents are assessable only on income sourced in New Zealand. The corporate tax rate is 28%.

Stamp taxes and other capital duties

There are no stamp duties, capital duties, net worth tax or real estate tax applicable in New Zealand.

Exemption from corporate tax

Capital gains are generally exempt from tax although certain gains arising from the disposal of personal property purchased with the intention of resale are taxable. Gains on transfer of land may be taxable in certain circumstances. Dividends received from wholly owned subsidiaries are also not subject to tax.

Anti-avoidance legislation

New Zealand has codified a detailed transfer pricing legislation, thin capitalisation rules and CFC rules.

A general anti-avoidance legislation exists in New Zealand that can apply to void a tax arrangement having a tax avoidance purpose or effect.

Withholding taxes

Interest paid to non-residents is subject to a final withholding tax rate of 15% on a gross basis, which is generally reduced to 10% under any tax treaties.

Generally, dividends paid by a New Zealand company carry imputation credits for the corporate taxes paid. Dividends are referred to as 'fully imputed', 'partially imputed' or 'unimputed'. Imputed dividends paid to non-residents are liable to dividend withholding tax at 15% unless the non-resident has a 10% or more voting interest in the payer company. In that case, the rate is 0%. Unimputed dividends paid to non-residents are subject to a final withholding tax of 30%, subject to tax treaty relief.

Royalties paid to non-residents is subject to a withholding tax rate of 15% on a gross basis. However, such withholding rate is not final and any taxes withheld can be used as a credit against final tax liability.

There is no branch profit remittance tax.

Indirect taxes

New Zealand has goods and services tax (GST) regime, which covers taxable supplies of goods and services connected with New Zealand, provision of fringe benefits and taxable import of goods into New Zealand. The standard GST rate is 15%.

Certain supplies of financial services, director's fee and residential rental accommodation etc. are exempt from GST. Exported goods, services and the supply of land (to other registered people) incurs GST at zero percent (referred to as zero-rated).

Double tax agreements

New Zealand has 39 double tax avoidance agreements and 21 tax information exchange agreements with various countries.

Foreign shareholders

New Zealand operates a full imputation system for the avoidance of economic double taxation of dividends, ie the shareholders are relieved of their tax liability on dividends to the extent profits have been taxed at the corporate level.

Unimputed dividends paid to non-residents are subject to withholding tax at 30% on a gross basis, which is a final tax. Dividends with attached imputation credits are liable to withholding at 15% which may be relieved through a foreign investor credit for the recipient.

Dividends received from wholly owned subsidiaries are not subject to tax.

Fully imputed dividends to shareholders of greater than 10% in a company will have zero percent withholding tax. Unimputed dividends to shareholders of certain countries (including USA, UK and Australia) who have a greater than 10% shareholding in that company can also be at zero percent with prior inland revenue approval.

There is no tax payable in case of disposal of shares by the foreign shareholder.

IP regime

Legal

New Zealand provides a legal framework for legal protection of and recognition for patents, trademarks, copyrights and industrial design and models.

IP rules

Intangible assets (such as patents, copyrights, software etc.) can be amortised over their effective life (or legal life).

R&D rules

There are no specific R&D incentives rules.

Expatriate issues

Income tax

Resident individuals are taxed on all remunerations including all benefits on a progressive scale of 10.5% to 33% (maximum rate being 33% on income exceeding NZD 70,000). There is no tax free threshold. There are no capital gains taxes applicable in New Zealand.

The employer is required to pay fringe benefits tax in respect of benefits provided to employees.

Social security contribution

No compulsory social security contribution is required to be made, however, the employer is required to pay superannuation contribution tax. The compulsory contribution of the employer is 3% if the employee elects into a superannuation scheme.

Expatriate rules

No special expatriate tax regime exists in New Zealand and there is no payroll tax.

Corporate set up

Corporate entity

The most common type of entity in New Zealand is a limited liability company. A limited liability company must have at least one shareholder and one director. All companies must have at least one share. There is no minimum capital requirement. From 1 April 2015, a company must have at least one New Zealand resident director.

Cost

Company set up costs start at NZD 150 and takes around 20 days for incorporating a company. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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Grant Thornton

An instinct for growth™

Singapore

Introduction

Investment climate

- local currency: Singapore Dollars (SGD)
- stable pragmatic government and economy
- Southeast Asia's financial and high-technology hub
- globally competitive work-force.

Quality of living

- excellent living standards
- advanced infrastructure and telecommunication network
- high standard of education including international schooling available for expatriate families

Strategically located at the southernmost tip of the Asian continent and at the crossroads of the world's global trading centers and in the heart of Asia, Singapore is the launch pad to the emerging markets of China, India and Southeast Asia.

Strategically located in Asia and well supported by its excellent financial infrastructure and pro-business environment, Singapore has a highly developed and successful free-market economy. Globally connected, the country offers a strong and stable infrastructure to boost and sustain growth and success in a myriad of industries.

In recent years, emerging alongside the traditional engines of growth in the manufacturing and financial/business services, the economic landscape has moved to one that promotes knowledge-based and research-intensive industries. At the same time, there has been a significant growth and development in the biomedical sciences, clean technologies and interactive digital media industries.

Singapore is regarded as one of the most dynamic economies in the world. It scores high in terms of the quality of its financial regulatory system, the lightness of its corporate tax burden and its high level of private sector credit.

The country has a high standard of living with excellent facilities for shopping, sports and recreation and the cost of living is relatively high compared with many countries in Asia-Pacific region. Singapore is reported to have the worlds' highest percentage of millionaires.

Singapore offers an extensive range of tax and investment incentives and has a vast network of double taxation avoidance agreements. The government has established a number of incentives programmes to help companies improve efficiency, strengthen capabilities and explore new opportunities in their businesses.



Holding company

Corporate taxation

Singapore's taxation system is territorial. Companies in Singapore are subject to tax on income accruing in or derived from Singapore and foreign income received in Singapore from outside Singapore.

Corporate tax rate in Singapore is 17%. There is a partial exemption scheme, wherein partial exemption is given on the first SGD 300,000 of a company's chargeable income as follows:

- 75% on the first SGD 10,000
- 50% on the next SGD 290,000.

A corporate income tax rebate of 30% is granted to companies for tax years 2014 and 2015, subject to a maximum of SGD 30,000 per tax year.

Stamp taxes and other capital duties

Stamp duty is payable on all instruments relating to the conveyance, assignment or transfer of stocks and shares in Singapore companies and immovable properties in Singapore. Transfer of shares under the scrip less trading system on the Singapore Stock Exchange is not subject to stamp duty. The rate of duty varies with the type of document and the transaction value.

Generally, property tax is levied at 10% of the annual value of all immovable property in Singapore. However, there is a progressive property tax regime for residential property. Property situated outside Singapore is not subject to property tax in Singapore.

Exemption from corporate tax

There are numerous incentives for a particular type of businesses which results in either full or partial exemption, or reduced tax rates.

To encourage entrepreneurs to start up new companies and to pursue their business ideas, qualifying new start-up companies are granted tax exemption of up to SGD 200,000 on the first SGD 300,000 of their normal chargeable income for each of their first three consecutive tax years as follows:

- 100% tax exemption for the first SGD 100,000 chargeable income
- 50% tax exemption for the next SGD 200,000 chargeable income.

Foreign sourced income received in Singapore may qualify for automatic exemption if the following conditions are satisfied:

- the income is subject to some form of income tax in the foreign country
- the income is remitted from a country with a headline tax rate of not less than 15%
- the comptroller of income tax is satisfied that the tax exemption would be beneficial to the Singapore resident company.

Anti-avoidance legislation

A general anti-avoidance rule exists to disregard the tax effect of schemes entered into with a primary or dominant purpose of obtaining a tax benefit.

There are no thin capitalisation, or CFC legislation in Singapore although the general anti-avoidance rules may apply to such transactions.

Although there are no specific transfer pricing regulations, the Singapore tax laws contain certain provisions that regulate the transfer pricing practices.

Withholding taxes

There is no withholding on dividends. Interest, commissions, fees or other payments in connection with any loan or indebtedness are subject to a final withholding tax of 15% on the gross amount.

Royalties paid to non-residents are subject to a final withholding tax of 10% on the gross amount. The Inland Revenue Authority of Singapore has adopted the right-based approach in characterising the software payments and payments for the use of or the right to use information and digitised goods for withholding purposes with effect from 28 February 2013. Under this approach, payments made for the transfer of copyrighted articles where the rights are limited to enable the payer to operate the software or to use the information or digitised goods, for personal use or for use within his business operations, are not considered royalty and withholding is not applicable.

Withholding tax at 17% is also applicable to technical assistance fees and management fees.

Withholding tax rates may be reduced applying the provisions under the double taxation avoidance agreements depending on which country the recipient is a resident.

There is no branch profits or remittance tax.

Indirect tax

Singapore levies the Goods and Service Tax (GST). The rate of GST is 7%. Business with annual taxable supplies of over SGD 1 million must register for GST. The sale and lease of residential properties and financial services are exempted from GST.

Double tax agreements

Singapore has concluded the double taxation agreements with around 76 countries.

Foreign shareholders

Singapore dividends distributed from the corporate profits are tax exempt. There is no withholding on dividends.

There is no capital gains tax on the disposal of shares in a Singapore company.

IP regime

Legal

Singapore is a member of World Intellectual Property Organisation and is a signatory to the world tax office's agreement on trade related aspects of IP.

Singapore provides a legal framework for protection of copyrights, patents, trademarks, industrial designs, etc.

IP rules

Capital expenditure incurred in acquiring approved IP up to 31 December 2019 may be written down over five years on a straight-line basis, ie at an annual rate of 20%.

Special tax deductions are also available for intellectual property expenses.

R&D rules

100% deduction allowance is granted on approved research and development cost-sharing agreements entered into on or after 17 February 2006.

Special tax deductions are available for research and development expenses.

Expatriate issues

Income tax

Individuals (residents and non-resident), whether citizens or non-citizens, are liable to income tax in respect of income accruing in, or derived from Singapore. Foreign sourced income received by an individual in Singapore from outside the country is exempt from tax.

Individuals are taxed on all remuneration (including benefits in kind) are taxable in Singapore on a progressive scale of 0% to 20%.

There is no estate or gift tax. Also, there is no payroll tax

Social security contribution

Social security contributions are made to the Central Provident Fund. The quantum of Central Provident Fund contribution payable by an employer is dependent on the age of the employees and the total wages, subject to a maximum salary base of SGD 12,750 for Singaporeans and SGD 29,750 for expatriates. Depending upon the age of the employee, the employer's contribution ranges from 6.5% to 16% (the rate will increase by 1% from 2015 onwards).

A supplementary retirement scheme also exists in addition to the Central Provident Fund and the maximum amount that can be contributed is 15% of annual income for Singaporeans and 35% for expatriates.

Expatriate rules

Various personal and other reliefs and rebates are allowable from assessable income. However, non-resident individuals are not entitled to any personal reliefs subject to certain qualifying cases.

An individual can opt for a 'not ordinary resident' scheme and enjoy certain tax concessions. This scheme is available to not ordinary residents who have a Singapore employment income threshold of at least SGD 160,000.

Corporate set up

Corporate entity

A LLC is the most common form of business entity in Singapore.

A LLC may be limited by shares or by guarantee. A company may be registered as a private company if it does not have more than 50 shareholders and its articles of association restrict the right to transfer shares.

A Singapore company can be incorporated with a minimum of one director who must be a natural person of full age and capacity. If the company has only one director, that director must be ordinarily resident in Singapore, that is, they must either be a Singapore citizen, Singapore permanent resident or an employment pass holder.

There is no minimum capital requirement for a private company, although a minimum of one share must be subscribed.

The Singapore Government encourages companies to use Singapore as a base to conduct headquarters management activities to oversee, manage and control their regional and global operations and business. The headquarters can be in the form of regional headquarters and international headquarters.

Cost

The company registration and filing fees start at around SGD 385 and can be set up in a minimum of three working days. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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Key country profiles – EMEA

This section provides an overview of the commercial and legal benefits of the jurisdiction, the holding company and IP holding regimes, as well as expatriate costs and planning opportunities for the key holding company locations in the EMEA region.



Belgium

Introduction

Investment climate

- local currency: Euro (€)
- stable economic and political environment
- skilled and semi-skilled workforce, including technical and professional personnel
- rather strict labour laws.

Quality of living

- good infrastructure especially transport
- high standard of education including international schooling available for expatriate families
- excellent healthcare.

Belgium's location and excellent tax system result in it being a highly attractive location for inbound investments, especially for (bio)pharmaceutical and high tech groups.

Belgium is recognised as a holding company location. Its high headline corporate tax rate may not seem very attractive, but a participation exemption in terms of dividends, a beneficial taxation of capital gains on shares and the absence of any CFC rules offer enough tax incentives for groups to establish their headquarters here.

It is one of the best locations for industry and logistics as a prominent gateway to the European market. A large part of Belgium's success in international trade is due to its excellent infrastructure which allows it to leverage off its strategic location.

Belgium's main industries include food, pharmaceuticals, (petro)chemicals and logistics.

Belgium does have a very favourable IP regime, especially for patent income which is taxed at a rate of 6.8% and can often be lower depending on the level of deductions available. In addition to that, companies employing researchers may benefit from an 80% exemption of payroll tax and from a tax credit for investments in R&D.

Belgium is regarded as having a high standard of living and, while it is expensive, it is not as expensive as some of its EU neighbours relative to the standard of living.



Holding company

Corporate taxation

The effective headline rate of corporate tax in Belgium is 33.99%, in the higher range within the EU.

Notional interest deduction rules give companies a deduction against profits for the cost of equity (for tax year 2015 this is 2.63% of equity; 3.13% for smaller entities). It is therefore possible to benefit from significantly reduced corporate tax rates, with some relatively simple structuring.

Stamp taxes and other capital duties

There is no capital duty or stamp duty applicable in Belgium.

Exemption from corporate tax

A 95% dividend received deduction is generally available on dividends from shareholdings of at least 10% (or €2.5 million) where they have been held or are intended to be held for at least one year.

Subject to a number of conditions, capital gains on shares may be fully exempt from corporate tax (for small and medium sized companies) or taxed at a beneficial rate of 0.412% (for large companies).

Anti-avoidance legislation

Belgium has transfer pricing rules (based on OECD principles) which require related party transactions to be conducted at arm's length. In addition, there are interest deductibility restrictions on interest payable to 'low tax' jurisdictions (ie <15% effective tax rate) and on intra-group loans to the extent that the total amount of these intra-group loans exceeds five times the net equity of the company.

Belgium does not have any CFC (or equivalent) legislation. However, the beneficial taxation (or tax exemption) of capital gains on shares (see above) will not apply if the investee company is located in a 'low tax' jurisdiction.

It is possible for companies to obtain advanced rulings from the tax authorities on the treatment of complex tax matters. These are not compulsory.

Withholding taxes

The domestic WHT rate for dividends, interest and royalty payments is 25%.

Belgian domestic legislation provides for a WHT exemption for dividends paid to parent companies residing in EU countries or in most countries having concluded a double tax treaty with Belgium (both exemptions being subject to a minimum participation requirement of 10% during at least one year).

A WHT exemption is also available for interest and royalty payments to companies residing in EU countries (with a minimum direct or indirect participation requirement of 25% during at least one year).

Several other domestic WHT reductions and exemptions may apply. Moreover, Belgium has a very wide treaty network resulting in further significant WHT reductions or exemptions.

Subject to conditions and limitations, a foreign tax credit applies to interest and royalties received by Belgian corporate tax payers, provided that such income was subject to foreign withholding tax. The foreign tax credit is creditable against corporate income tax.

Double tax agreements

Belgium has more than 95 agreements in effect.

Foreign shareholders

In principle there is no Belgian tax payable by foreign shareholders on the disposal of shares in a Belgian company.

Tax incentives

Patent income deduction

Belgium offers an 80% deduction resulting in an effective tax rate of 6.8% for (qualifying) patent income. This tax deduction can be applied on income from patents that are owned and that have been fully or partly developed by the company.

In addition, amortisation is deductible over the useful economic life and this deduction, in combination with the notional interest deduction, could result in an effective tax rate of zero.

Investment deduction

Tax incentives are available for R&D related activity in the form of either an enhanced investment deduction of 13.5% (for tax year 2015) on environmental-friendly investments in research and development, or a tax credit of 13.5% of the value of qualifying expenditure (for tax year 2015).

80% exemption of payroll tax for researchers

Under certain conditions, it is also possible for companies to obtain an exemption of 80% of payroll tax for the employment of researchers.

Exemption of regional premiums and subsidies

Certain regional premiums and grants (both capital grants and interest subsidies) are exempt from corporate income tax.

Tax losses can be carried forward without a time limitation

A loss of any tax period may be carried forward indefinitely without any limitation. There is no loss carry-back allowed.

Tax shelter

The tax shelter is a tax incentive meant to encourage the production of audio-visual works and films. This tax regime allows a company to benefit from an exemption of up to 150% of the sums invested in audio-visual productions.

Special tax regime for the shipping industry

Companies operating sea-going vessels, may elect to report taxable income for corporate income tax as a lump-sum percentage of the volume transported.

Personal income taxation**Income tax**

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in Belgium, on a progressive scale of income tax between 25% and 50% depending on level of income. Local taxes (0% to 10% depending upon the place of residence) are also payable.

There are relatively generous deductions available including child care, mortgage payments and related insurance premiums.

Tax credits are also available for pension contributions and life insurance premiums.

Social security contribution

Employee social security contributions are payable at 13.07%. These are deductible for income tax purposes.

Expatriate rules

Under certain conditions, a foreign executive assigned temporarily to Belgium within an international group of companies may qualify for a special taxation regime. The executive will be treated for Belgian tax purposes as a non-resident, liable to Belgian personal income tax on his/her Belgian source income only. The expatriate will not be taxed on supplementary recurring and non-recurring expenses (up to an amount of €11,250 or €29,750 per year) which are incurred as a result of his/her recruitment or transfer to Belgium, whether paid as lump sum allowances or as specific reimbursements of outgoings (ie housing allowances, cost of living allowances, tax equalisation, etc.).

In addition to these tax free allowances which can be paid by the employer, the proportion of overall remuneration relating to working days spent abroad on business is excluded from taxable income (the so-called 'travel exclusion').

Corporate set up**Corporate entity**

The most common type of corporate entity is the NV/SA (limited company). The BVBA/SPRL (private limited company) is often used as an alternative

The minimum share capital for these entities is currently €61,500 (NV/SA) and €18,550 (BVBA/SPRL).

For an NV/SA there is a requirement for at least two shareholders and at least three directors although there are no specific residence requirements (the director requirement is reduced to two if there are only two shareholders).

Cost

Company set up costs start at around €3,000 and takes around one month.

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Cyprus

Introduction

Investment climate

- local currency: Euro (€)
- robust legal system with strong English Law influence
- highly qualified and multilingual labour force.

Quality of living

- relaxed pace of life
- great weather
- good telecommunications infrastructure
- high standard of education
- low crime and homelessness.

Cyprus is widely used for investment into Russia and Eastern Europe owing to very favourable treaty provisions.

Cyprus' location lends itself well to international trade, as it is central to three different continents and close to trade routes between Europe and Asia. Good transport links (sea and air) and an excellent telecommunications system further compliment the potential for international trade.

It also has one of the lowest headline rate of corporation tax in the EU that is 12.5%. Its generous exemptions can sometimes result in a nil effective tax rate making it a very attractive jurisdiction for holding companies from a tax perspective.

Cyprus is very widely used for investment into Russia and Eastern Europe due to the favourable treaty provisions.

The services sector accounts for three quarters of the country's GDP with the main sectors being tourism, transport and communications, real estate and banking.

The quality of life in Cyprus is very good and the cost of living is low compared with many Western European countries.

Cyprus has legislation which provides certain tax incentives with regards to IP.



Holding company

Corporate taxation

The standard rate of corporation tax in Cyprus is 12.5%, although certain passive income (ie interest) is subject to the special defence contribution at a rate of 30%.

No tax deduction is available on the interest costs of financing subsidiaries unless the company is treated as a finance vehicle within the group.

Stamp taxes and other capital duties

Capital duty of €105 plus 0.6% on the nominal amount of the authorised share capital exists. Subsequent increases of the authorised share capital are subject to a capital duty of 0.6% (stamp duty has a maximum ceiling of €20,000).

Exemption from corporate tax

A full dividend exemption is available provided that the company paying the dividend does not derive more than 50% of its income from investment activities or it is not subject to tax at a significantly lower rate than in Cyprus (in practice this is interpreted as a tax rate of less than 6.25%). If the exemption does not apply, the dividends are subject to the special defence contribution, at a rate of 17% (from 1 January 2014).

Capital gains arising on the disposal of shares are only taxable if the company holds immovable property that is situated in Cyprus (at a rate of 20%).

Anti-avoidance legislation

Cyprus does not have detailed transfer pricing rules, although transactions between connected parties should be on an arm's length basis.

Cyprus does not have any CFC (or equivalent) legislation. However, the availability of the dividend exemption may be restricted if the paying company is in a lower tax regime (i.e. less than 6.25% tax rate) or if the foreign company paying the dividend relates to more than 50% to investing activities.

It is possible for companies to obtain advanced rulings from the Cypriot tax authorities on the treatment of complex tax issues. These can usually be obtained in less than three weeks, but are not compulsory.

Withholding taxes

Cyprus does not impose WHT on interest or dividends payable to non-residents.

The domestic rate of WHT on royalty payments to non-residents for the use of royalties in Cyprus is 10% (other than film royalties on which a 5% WHT applies). An exemption is available for royalties payable to EU countries (where certain requirements are met) and reduced rates of WHT apply on royalties to certain treaty countries.

Value Added Tax (VAT)

The standard rate of VAT in Cyprus is 19%.

A reduced rate of 9% is applied to transport, accommodation and restaurants, while a 5% rate applies to pharmaceuticals, bottled non-alcoholic drinks, sweets and entry fees to cultural events.

Double tax agreements

Cyprus has more than 50 agreements in effect, although it does provide a credit system for foreign tax suffered even where no treaty is in place.

Foreign shareholders

There is no Cypriot tax for shareholders on the disposal of shares in a Cypriot company unless the company holds immovable property that is situated in Cyprus.

IP regime

Legal

Cyprus offers legal protection and recognition, broadly based on EU law, for patents, intellectual property and trademarks.

IP rules

IP amortisation is tax deductible over five years. 80% of any income generated from the exploitation of the IP is exempt from taxation. 80% of any profit generated from the disposal of IP is exempt from taxation.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in Cyprus, on a progressive scale from 0% to 35%.

Various personal expenses are allowed as a deduction for tax purposes including life insurance premiums, social insurance contributions, approved provident fund contributions, approved medical scheme contributions, professional subscriptions and approved charitable donations.

Social security contribution

Employee social security contributions are payable at 7.8%.

Expatriate rules

Expatriates are entitled to an income tax exemption for the lower of 20% of emoluments and €8,550 per annum for the first three years of employment in Cyprus. Expatriates earning over €100,000 per annum are entitled to a 50% exemption for a period of up to five years.

Cyprus has one of the lowest corporate tax rates in the EU and its tax regime is relatively simple. There are specific IP rules that make it attractive for IP holding companies.

Corporate set up

Corporate entity

The most common type of corporate entity is a private limited liability company, for which there is no minimum share capital requirements.

A Cypriot company can be established with only one shareholder and one director but a company secretary, who is not a sole director, must also be appointed.

Cost

Company set up costs start at around €1,500 and can take up to two weeks.

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Hungary

Introduction

Investment climate

- local currency HUF (Hungarian Forint)
- EU member
- high percentage of skilled/semi-skilled labour, including technical personnel.

Quality of living

- excellent civil liberties
- very clean living
- relatively low cost of living.

Hungary's low corporate tax rate and favourable IP regime makes it an attractive location for holding companies.

Hungary is recognised as a holding company location primarily due to its relatively low wage cost and attractive tax regime. Its low headline corporate tax rate of 10-19% lends itself easily to a favourable holding company location, as does a low income tax rate, a participation exemption in terms of dividends, and an attractive IP regime, where capital gains on IP are exempt and income taxed at 5%/9.5%.

As a land-locked state bordering a number of Eastern European countries, including Romania, Ukraine, Slovakia, Croatia and Serbia it is well located to access these countries. Hungary has some natural resources and the arable land is widely used for viticulture, producing wine that is enjoyed globally. It is also a significant exporter, with its main manufactured exports including electric and electronic equipment, foodstuffs and chemicals.

The private sector accounts for more than 80% of Hungary's GDP and foreign ownership in Hungarian firms is widespread.

Hungary has a relatively low cost of living and one of the biggest constraints in growth is its economic climate, having turned to the EU for support loans on a number of occasions, although this has significantly improved over the last few years.



Holding company

Corporate taxation

The effective headline rate of corporate tax in Hungary is 19% where taxable profits exceed HUF 500 million (€1.7million), otherwise taxed at 10%.

Stamp taxes and other capital duties

There is no capital duty or stamp duty applicable on the transfer of shares in Hungary unless the shares being sold hold Hungarian real estate.

Exemption from corporate tax

A full dividend exemption is available on dividends received by a Hungarian company unless received from a CFC.

Capital gains on the disposal of shares are exempt (if at least 10% of shares are held for an uninterrupted period of one year and the acquisition of shares is notified to the Hungarian tax authorities) provided that the investee company is not considered to be a CFC (see below).

Anti-avoidance legislation

Hungary has transfer pricing rules which require related party transactions to be conducted at arm's length. All related party transactions over HUF 50 million (€170,000) must be documented for transfer pricing purposes and advance pricing agreements are available.

In addition, there are thin capitalisation rules and where the debt: equity ratio exceeds 1:3 the interest exceeding this ratio will be disallowed.

Hungary has CFC legislation, and a foreign company is considered to be a CFC if there is a Hungarian individual holding shares for the majority of the days in a tax year or the majority of the foreign company's income derives from Hungary and it is taxed at a rate less than 10%. Foreign companies incorporated in the EU or in an OECD or treaty country are not considered to be a CFC if they have real economic presence in that country.

It is possible for companies to obtain advanced rulings from the tax authorities on the treatment of complex tax matters. These are not compulsory but are binding.

Withholding taxes

There is no WHT on dividends paid to corporates, although dividends to individuals are subject to 16% WHT. This may be reduced where paid to individuals resident in countries that have a double tax agreement with Hungary.

There is no WHT on interest paid to corporates, although interest paid to individuals are subject to WHT at 16%. Reduced rates of WHT apply on interest paid to individual residents of most treaty countries.

There is no WHT applied on royalty payments to corporates, although royalties to individuals are subject to WHT at a rate of 16%. Reduced rates of WHT apply on royalties to individual residents of most treaty countries.

Value Added Tax (VAT)

The standard rate of VAT is 27%. A reduced rate of 5% applies to domestic swine (frozen whole or halved), medicine, aides for blind people and books, newspapers and music scores, supply of live music in restaurants and supply of heating services. A reduced rate of 18% applies to some basic foods, accommodation and outdoor concerts.

Double tax agreements

Hungary has more than 70 agreements in effect.

Foreign shareholders

There is no Hungarian tax payable by foreign shareholders on the disposal of shares in a Hungarian company. There is a 19% capital gain tax on the sale of shares in Hungarian real estate companies if the foreign shareholder is resident in a non-treaty country or the treaty gives taxing rights to Hungary.

IP regime

Legal

Hungary offers a good level of legal protection and recognition, broadly following EU law, for patents, trademarks, copyrights and industrial design and models.

IP rules

The IP regime includes patents, patent rights, trademarks and copyrights.

Under the regime, 50% of the royalty income relating to qualifying IP assets is deductible from the tax base resulting in an effective tax rate of 5% for profits less than HUF 500 million (€1.7million) and 9.5% thereafter. The deduction cannot exceed 50% of the accounting profit. In addition, amortisation is deductible over the useful economic life, resulting in a lower effective tax rate.

From 2012, there is an exemption from capital gains on the disposal, on notified IP. This is where IP has been held for at least one year and the tax authorities were notified of the acquisition within 60 days of obtaining the IP.

R&D rules

Corporate income tax base can be reduced with the direct costs of basic research, applied research and experimental development carried out within the taxpayer's own scope of activities.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed at a rate of 16%.

Social security contribution

Employers' social security contributions are payable at 27%. Employees pay 8.5% health and unemployment contribution and 10% pension contribution without limitation.

Expatriate rules

Expatriates are subject to Hungarian tax on the portion of income attributable to working in Hungary.

Whilst Hungary does not have a specific R&D tax regime, its low effective rate in respect of IP of 5%/9.5% means that it is often considered for a group IP company.

Corporate set up

Corporate entity

The most common type of corporate entity is a Kft, a limited liability company but other alternatives are a Zrt, private company limited by shares, and a Nyrt, a public company limited by shares.

The minimum share capital for a Kft is currently HUF 3,000,000 (€10,000).

There are no requirements or limits on the number of shareholders or local management.

Cost

Company set up costs start at around HUF 500,000 (€1,730) and take around one month.

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Ireland

Introduction

Investment climate

- local currency: Euro (€)
- relatively stable political environment
- respected regulatory regime.

Quality of living

- advanced IT and telecommunications infrastructure
- improvements being made to transport infrastructure
- high standard of education
- English speaking with access to multilingual skills
- large population of foreign nationals.

Ireland's planned new 'Knowledge Development Box' will further enhance its suite of innovation based tax reliefs.

As a member of the EU, with a young and highly educated workforce, Ireland has a wider draw as a holding company location than just its tax regime.

Ireland's low tax rate, effective dividend exemption, limited transfer pricing and lack of CFC rules means that it is an attractive holding company location. In addition, there have been a number of high profile companies relocating their headquarters to Ireland in the past few years.

Key sectors in which Ireland has built up a concentration of expertise are manufacturing, pharmaceuticals, medical devices, technology, software and financial services.

Ireland is very attractive for groups looking for efficient financing structures, such as interest free loans via intermediary locations including Luxembourg or the Netherlands.

The cost of living in Ireland was relatively high in the past but has reduced over the last few years with recent incentives for foreign executives.

Ireland is an attractive holding company jurisdiction and is well positioned for the post BEPS world, with a low headline tax rate and a focus on substance.

One of the key draws as an IP holding company location is the potential effective rate of tax on IP related income of 2.5% or lower (after deduction of tax depreciation) – which is one of the lowest in Europe. Ireland's R&D tax regime works well for groups moving to Ireland and also offers advantages for groups already located in Ireland.



Holding company

Corporate taxation

The standard rate of corporation tax in Ireland is 12.5% for trading activities, including dividends from trading companies. Passive income such as interest, rents and royalty income (where it is not regarded as being trading income) is taxable at 25%.

Stamp taxes and other capital duties

There is no stamp duty on the issuance of shares. However, there is stamp duty of 1% on the transfer of shares but group relief is available.

Exemption from corporate tax

Whilst there is no dividend exemption, the credit system operating in Ireland means that dividends received from a jurisdiction with a higher rate of corporate tax than is applied in Ireland are effectively exempt. Any unrelieved foreign tax credits can be used to credit other foreign dividends received.

Capital gains arising on the disposal of shares in EU or relevant treaty country companies are exempt where those shares represent at least 5% of the shares in a trading company and have been held for a period of 12 months out of the previous two years.

Anti-avoidance legislation

Ireland has recently introduced limited transfer pricing rules which require related party trading transactions to be conducted on an arm's length basis. There is an exemption for small and medium sized enterprises.

Ireland does not have any CFC (or equivalent) legislation.

It is possible for companies to obtain advance opinions from the Irish tax authorities on the treatment of certain tax matters. They are not compulsory and can be relatively cheap to obtain.

Ireland's tax regime is ideal for companies with valuable IP, offering a range of potential solutions depending on the level of substance in Ireland.

Withholding taxes

The domestic rate of WHT applied on dividends is 20%, although there is no WHT applied on dividends to EU treaty countries or certain other countries with 'good' ownership.

The domestic rate of WHT on annual interest payable is 20%. An exemption is generally available on interest payable to EU or treaty countries subject to certain conditions being met.

The domestic rate of WHT on patent royalty payments is 20%. An exemption is generally available on patent royalties payable to EU or treaty countries, subject to certain conditions being met. Patent royalty payments to non-treaty countries can also be made free of WHT, subject to certain conditions being met.

Value Added Tax (VAT)

The standard rate of VAT is 23%. A reduced rate of 13.5% applies to fuel for power and heating, electricity and gas and a 9% rate applies to hotel accommodation, hotel and restaurant meals, newspapers, admissions to cinemas and certain live theatrical and musical performances.

Double tax agreements

Ireland has more than 68 agreements in effect.

Foreign shareholders

There is no Irish tax payable for foreign shareholders on the disposal of shares in an Irish company unless the shares derive their value from specified assets such as Irish land and minerals.

IP regime

Legal

Ireland has a robust legal framework, based on EU legislation, for the protection of IP including patents, copyrights, trademarks, computer software and industrial designs and models.

IP rules

The IP regime includes most intangible assets (including software and goodwill). To qualify these assets must be used in active trade.

Under the regime, IP amortisation is tax deductible in line with the accounting treatment. Alternatively, an election can be made to spread the expenditure over a 15 year period in the form of an allowance. Amortisation is based on the market value of the asset, even when it is acquired from a connected party.

Income arising from qualifying IP can be offset by the amortisation or the elected allowance (as above) and also finance costs of acquiring that IP.

Capital gains arising on the disposal of IP are subject to tax at the standard rate of 33% but disposals are typically structured to defer or avoid the gain.

R&D rules

A 25% tax credit is available on qualifying R&D expenditure (both capital and revenue) in addition to a deduction for the revenue expense. The credit can be reclaimed as a cash refund, although this is capped at the higher of payroll taxes paid in the current and preceding years or corporation tax in the last ten years.

Expatriate issues**Income tax**

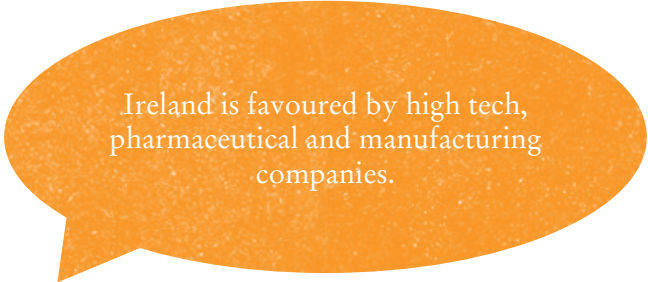
Individuals are taxed on all remuneration (including benefits in kind) for duties performed in Ireland, on a two tier system of income tax rates starting at 20% up to €33,800 and 40% on income exceeding €33,800.

Social security contribution

Employee social security contributions are payable up to 4%. A universal social charge is also payable on gross income from all sources. The rates are 1.5% on the first €12,012, 3.5% on the next €5,564 and 7% on the next €52,468 and 8% thereafter. A rate of 11% applies to individuals who have income from self-employment income that exceeds €100,000 a year.

Expatriate rules

Tax free subsistence payments are possible for secondments in certain circumstances and there are incentives for high paid expatriates.



Ireland is favoured by high tech, pharmaceutical and manufacturing companies.

Corporate set up**Corporate entity**

The most common type of company is a limited company, for which there are no minimum share capital requirements.

An Irish limited company can have a minimum of one shareholder, although at least two directors (one being an European Economic Area resident) and a company secretary are required.

Cost

Company set up costs start at circa €800 and can take up to ten days.

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Luxembourg

Introduction

Investment climate

- Local currency: Euro (€)
- stable economy
- very stable political environment with a pro-business government
- access to a pool of highly skilled, hardworking, multilingual employees.

Quality of living

- neutral country considered one of the safest in Europe
- low crime
- very good infrastructure
- high standard of education.

The IP regime offers a low effective tax rate on income and gains, with low VAT rates (17%). R&D investment on eligible acquired and self-developed IP is encouraged by the availability of an 80% deduction on net IP income.

Luxembourg has long since been a favoured holding company location. A member of the EU, it is a neutral country, which is very stable politically and with a very high quality of living for a reasonable cost. Luxembourg is renowned as a safe country, encouraging high calibre expatriates.

Luxembourg has a resilient stable tax regime and the government understands the need for groups to have certainty regarding the tax system.

Despite its high headline tax rate (ie 29.22% for businesses established in Luxembourg City as from 1 January 2013), there are a number of deductions which can significantly reduce the taxable basis and consequently the effective tax rate. In addition, its dividend exemption, exemption for capital gains and nil WHT on interest, royalties and liquidation proceeds together with its flexible company law which allows partial liquidations, mean that there are a number of benefits if locating here.

Companies based in Luxembourg also have access to a highly qualified workforce, not just Luxembourgers, but those from France, Germany and Belgium, as commuting is widespread.

Luxembourg is known for financial and logistics/transport companies, although more recently it has attracted a number of high technology companies.



Holding company

Corporate taxation

Tax is levied at both the statutory level and the municipal level. For a company based in Luxembourg City, the total effective tax rate would be 29.22%.

Stamp taxes and other capital duties

There are no stamp taxes applied on the issuance or transfer of shares.

There is an annual net wealth tax of 0.5% on net assets, such as cash or receivables as at 1 January of any given year. However, qualifying participations (as set out below) and IP held by a Luxembourg holding company are not included in the calculation of net wealth tax.

Exemption from corporate tax

A full dividend exemption is generally available on dividends received from qualifying shareholdings. The conditions to qualify are shareholdings of at least 10% of the share capital (or an acquisition price of at least €1.2 million) and shareholdings which have been held for at least 12 months.

Capital gains arising on the disposal of shares are exempt where those shares represent at least 10% of the share capital or if the acquisition price is at least €6 million and the shares have been held for at least 12 months.

Anti-avoidance legislation

Luxembourg has introduced transfer pricing rules limited to financing activities within intra group companies. Domestic related party transactions fall outside these rules.

It is possible for companies to obtain an advanced tax agreement from the Luxembourg tax authorities on the treatment of certain complex tax matters. These are not compulsory and can be costly. Advanced tax agreements can usually be requested for financing or IP structures.

Withholding taxes

Dividends paid from Luxembourg are subject to WHT at 15%, reduced to nil for payments made to a company resident in the EU or in the vast majority of countries with which it has a double tax agreement.

There is no WHT on liquidation proceeds, interest or royalty payments.

VAT

The standard rate of VAT is 17%, as from 2015 (the lowest in Europe). A reduced rate of 14% applies to management services, 8% to gas and electricity and 3% for food, medical treatment and books and newspapers.

Double tax agreements

Luxembourg has more than 75 agreements currently in effect and many others on the way.

Foreign shareholders

There is generally no Luxembourg tax payable by foreign shareholders on the disposal of shares in a Luxembourg company.

IP regime

Legal

Luxembourg offers good legal protection and recognition for patents, trademarks, software, domain names, copyrights and industrial designs and models.

IP rules

The IP regime applies to many registered intangible assets (including patents and trademarks) acquired or developed after 31 December 2007.

100% amortisation is available on the market value of IP, even when transferred intra group or acquired from third parties.

Under this regime, there is an 80% exemption on the net royalty income arising from qualifying IP. In calculating the net royalty, a prior deduction is available for amortisation and other directly IP related costs. Notwithstanding prior possible deduction of IP related costs, this results in a maximum effective tax rate of 5.84%.

There is a deduction in relation to self-developed patents, used in the company. This deduction is calculated as 80% of the net income that would have been received if the patent had been licensed to a third party.

On disposal of the qualifying IP, 80% of the capital gains realised are exempt from tax.

R&D rules

R&D can be subcontracted to any other (group or third party) provider. R&D costs are 100% tax deductible from the gross IP income before 80% deduction.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in Luxembourg, on a progressive scale from 0% to 40%. In addition, a solidarity tax is payable at 7% (or 9% for taxable income exceeding €150,000) of the calculated income tax due.

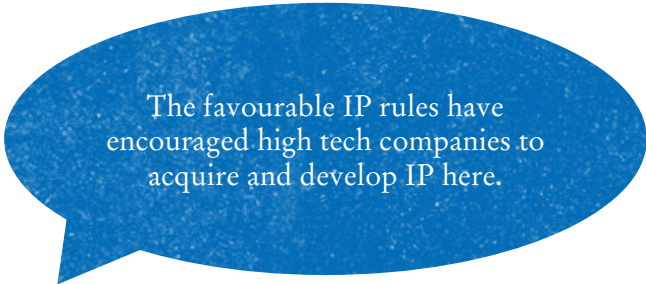
There are general deductions allowable in determining an individual's taxable income for both business and private purposes such as life assurance and health insurance premiums, childcare costs, loan interest and personal pension contributions.

Social security contribution

Employee social security contributions are payable between 12.78% and 14.94%.

Expatriate rules

From 1 January 2011 there is a special tax regime for expatriates. The regime only applies to highly skilled expatriates and provides for tax relief in respect of certain relocation expenses incurred. A written application must be submitted to the Luxembourg tax authorities and if the relevant conditions are met the Luxembourg tax authorities will confirm that the regime applies.



The favourable IP rules have encouraged high tech companies to acquire and develop IP here.

Corporate set up

Corporate entity

The most frequently used company form is a SARL, which has a minimum share capital requirement of €12,500. This can be set up with only one shareholder and requires the appointment of one manager (with no resident or nationality requirements).

Other companies used are SAs (public limited companies) and SCAs (equivalent of a partnership limited by shares). SAs can be set up with a minimum of one shareholder but require a minimum of three directors (a minimum one director if only one shareholder) with no residence or nationality requirements. The minimum share capital requirement is €31,000.

Cost

Company set up costs start at around €6,500 including notary fees, and the process can take less than a week.

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Malta

Introduction

Investment climate

- local currency: Euro (€)
- politically and economically stable
- access to a productive workforce.

Quality of living

- very low crime
- good weather
- reasonably priced international schools
- relaxed pace of life.

The widely applicable domestic and international participation exemption and the very favourable IP regime make Malta attractive as a location for holding company or IP holding companies.

Malta has a high headline tax rate but the tax refund system and some relatively simple planning can significantly reduce the effective rate. Malta has a participation exemption in respect of dividend income and capital gains from a qualifying subsidiary and any overseas tax suffered by a Maltese company would generally be eligible for relief against the Malta tax liability arising on the corresponding source of income. In addition, the absence of transfer pricing and CFC rules attract groups to locate their holding companies in Malta.

Located in the Mediterranean, midway between Europe and Africa, its local currency is the Euro. Malta became a full member of the EU in May 2004 and a member of the Schengen area in 2007. Malta has two official languages, Maltese and English. The Maltese workforce are educated and very hard working.

Malta relies on foreign trade and given its location this is mainly with the EU, Asia and the US. Its economy is dominated by tourism, manufacturing, technology and finance.

For expatriates, the living costs in Malta are one of the lowest in Europe, and the international schools reflect this low cost of living. In addition, the good climate and relaxed pace of life make it an attractive place for expatriates and their families.

Malta has one of the lowest taxation regimes for IP, with a 0% rate for patent royalty income from inventions and copyright-protected books, film scripts, music and art, and 5% for other royalty income actively used in the trade.



Holding company

Corporate taxation

The standard rate of tax in Malta is 35%. A refundable tax credit is available as follows:

- full refund for dividends from participating holdings
- 6/7ths for income and dividends from active companies
- 5/7ths for dividends from passive income or royalty income
- 2/3rds where Double Tax Relief is claimed.

Interest expenses related to the financing for the acquisition of participations can be offset against dividend income and capital gains derived from the particular participation being financed.

Indirect taxation

There is a 2% duty on the transfer of shares. An exemption is available if 90% of the company's business activities are overseas.

Exemption from corporate tax

A full dividend exemption is generally available on receipt of dividends where the holding is at least 10%. Broadly, for the exemption to apply, the paying company must either be EU tax resident, or have at least 50% of its income from trading activities, or be subject to a tax rate of at least 15% (5% in the case of passive interest and royalties), in its own jurisdiction.

Capital gains arising on the disposal of participating holdings in both foreign and local companies are exempt.

Malta has recently introduced a full tax sparing regime. Under that regime if an overseas subsidiary benefits from tax holidays in the country in which it is resident, any dividends distributed by this company to its Maltese parent are exempt from any taxation in Malta, as the participation exemption will apply. Furthermore, it is also possible to structure the receipt of tax-free dividends from subsidiaries established in tax havens.

Anti-avoidance legislation

Malta does not have any transfer pricing rules or CFC (or equivalent) legislation. It is possible for companies to obtain an advance ruling from the Maltese tax authorities on the treatment of specific tax matters. In limited circumstances these are compulsory.

Withholding taxes

There is no WHT payable on dividends, interest or royalty payments to non-residents.

Malta is particularly good for gaming and technology companies.

VAT

The standard rate of VAT is 18%. A reduced rate of 7% applies to accommodation and a rate of 5% to electricity, sweets, medical accessories, books and newspapers and art. Zero-rated goods include gold, food and pharmaceuticals.

Double tax agreements

Malta has 66 agreements currently in effect and a further 5 are awaiting ratification.

Foreign shareholders

There is no Maltese tax payable for foreign shareholders on the disposal of shares in a Maltese company.

IP regime

Legal

Malta offers a high level of legal protection, in line with international protocols, for patents, copyrights and trademarks.

IP rules

The IP regime applies to registered IP including patents, copyrights, trademarks and written know how.

Under the regime, royalties and similar income derived from registered patented inventions are exempt from tax.

The rate of tax for other royalties depends on whether they are actively used in the trade or passively held. Income from 'trading' IP is effectively taxed at 5%, whilst that from 'passive' IP is taxed at 10%.

The tax treatment of IP amortisation depends on whether it is capital or revenue. If revenue (i.e. it is recurring), it is tax deductible in line with the accounts. If capital, this is deductible straight line over three years for IP rights, six years for scientific research and over the useful economic life for patents.

Capital gains in respect of IP are taxed at an effective rate of 5%.

R&D rules

The R&D regime provides for tax relief of 150% of qualifying R&D expenditure if the activity is undertaken by the company.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in Malta, on a progressive scale from 15% to 35%.

Highly qualified non-Malta domiciled individuals employed in an eligible office within a company that is licensed and/or recognised by the Malta Financial Services Authority, the Lotteries and Gaming Authority or the Transport Authority, having an annual income in excess of €75,000, may benefit from a flat personal tax rate of 15%. The same principle applies for individuals engaged in the development of innovative and creative digital products occupying specific designations and having a minimum income of €45,000.

Furthermore, this 15% flat personal tax status is also available for high net worth individuals (subject to certain conditions being satisfied) applicable on foreign income remitted to Malta subject to a minimum annual amount of €20,000 (and €2,500 for every dependant) for EU, EEA and Swiss nationals and €15,000 (and €5,000 for every dependant) for non-EU/EEA/Swiss nationals, after double taxation relief. A similar programme applicable to retirement planning is in place subject to an annual minimum tax charge of €7,500 on pension income.

Social security contribution

An amount equivalent to 10% of the weekly wage (up to a maximum of €2,142.92 per annum for 2014) is deducted from the employee's salary and an equivalent amount is payable by the employer. EU citizens may be exempt from the payment of social security contributions if they are in Malta on a temporary basis and pay statutory contributions in their home country.

Expatriate rules

Expatriates are only taxed in Malta on their Maltese sourced and remitted income. Foreign gains remitted to Malta are not taxable in Malta

Top planning tip: By using a non-domiciled tax resident Maltese company, income is only taxed on a remittance basis. Use of an offshore bank account can therefore result in a lower effective tax rate.

Corporate set up

Corporate entity

The most frequently used company form is the Private Limited Liability company which has a minimum share capital requirement of €1,165. This company must be owned by a minimum of two shareholders but only requires one director and a company secretary. It is also possible to have a private exempt single member company.

Cost

Company set up costs start at around €2,000 (including share registration fees) and can be completed in less than a week.

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The Netherlands

Introduction

Investment climate

- local currency: Euro (€)
- stable economy
- politically stable with a pro-business government
- access to a pool of highly skilled, hardworking, multilingual employees
- robust labour laws can become onerous for companies employing 50 or more employees.

Quality of living

- consistently outranks many of its EU counterparts for quality of living and attracting talented foreigners and developing highly qualified staff
- low crime
- excellent infrastructure especially transport
- high standard of education.
- Tax rulings can be negotiated in order to obtain advance certainty.
- 0% for cooperatives, provided that certain conditions are met.

Top planning tip: Use a Cooperative (COOP) entity as a holding company, where shareholders are resident outside the EU. In certain circumstances, distributions can then be made to shareholders without the deduction of any WHT.

The Netherlands is a popular holding company location mainly driven by commercial reasons as the country is central to, and has good connections with, Europe (and the rest of the world). The high headline tax rate is balanced by the dividend exemption, the capital gains tax exemption on disposal of shares and the absence of comprehensive CFC rules.

Further, the Netherlands is often used as a location to set-up license and finance companies due to the absence of WHT on interest and royalty payments and the extensive tax treaty network. Due to the scarcity of natural resources and raw materials and the small size of the domestic market, the Netherlands is seen somewhat as a 'processing economy' with the manufacturing sector being dependent on imported materials. Major export industries include oil and gas, chemicals, electronics, office equipment, telecommunications, pharmaceuticals and food. It also has a sophisticated and growing financial services sector.

There is a large pool of highly skilled, hardworking, multilingual employees and foreign businesses find it easy to integrate due to the very open culture.

For expatriates, the Netherlands offers a high quality of living at a reasonable cost and a favourable expatriate tax regime is available.



Holding company

Corporate taxation

The standard rate of corporation tax in the Netherlands is 25% (with a 20% rate applying to profits up to €200,000). In principle, a tax deduction is available for interest on loans to acquire subsidiaries although certain interest deduction limitations might be applicable.

Due to the absence of Dutch WHT on interest and royalty payments, the Netherlands is often used for routing international debt financing and licensing activities. The Dutch finance/license company will only be subject to a small level of taxation on the spread which can be agreed upfront with the Dutch tax authorities.

As from 1 January 2013, the deduction of interest disallows of interest cost relating to excess debt (deemed to be) associated with the acquisition price of subsidiaries, if the excessive interest is more than €750,000.

Stamp taxes and other capital duties

There is no capital duty or stamp duty applicable in the Netherlands.

Exemption from corporate tax

A full dividend exemption is available on dividends from shareholdings of at least 5% with no holding period requirement.

Capital gains arising on the disposal of shares are exempt where those shares were part of a holding of at least 5% of the company with no holding period requirement.

The above exemptions generally apply to the disposal of shares in active companies and in certain circumstances, passive investment companies if they are subject to a rate of 10% taxation. Real estate companies are always considered to be active companies subject to the Dutch participation exemption even if they are located in low tax countries.

Anti-avoidance legislation

The Netherlands has transfer pricing rules, which require all related party transactions to be conducted on an arm's length basis.

There is some legislation regarding tax havens, but there is no comprehensive CFC (or equivalent) legislation.

It is possible for companies to obtain advanced rulings from the Dutch tax authorities on the treatment of complex tax matters. They are not compulsory and are generally moderately priced.

A company can obtain an advance tax ruling (ATR) or an advance pricing agreement (APA), the aim being to attract international investors to the Netherlands by providing them with certainty about their future tax position.

An APA provides certainty in advance of the fiscal acceptability of the price (transfer pricing) that the Dutch group company pays to or receives from a foreign group company for receiving or delivering services or goods. Whereas an ATR is an agreement on the tax characterisation of international corporate structures, such as certainty in advance on the application of the participation exemption.

Withholding taxes

The domestic rate of WHT applied on dividends is 15%. An exemption is available on dividends paid to companies in EU countries subject to certain conditions being met and reduced rates of WHT apply on dividends to certain treaty countries. On an international level, the WHT can be reduced to zero by making use of a coop entity.

There is no WHT on interest and royalties payable to non-residents.

VAT

The standard rate of VAT is 21% (from 1 October 2012).

A reduced rate of 6% applies to food, books, medicines, magazines, transport and accommodation. Some services such as financial and medical are exempt from VAT.

Double tax agreements

The Netherlands has more than 110 agreements in effect.

Foreign shareholders

There is no Dutch tax payable for foreign shareholders on the disposal of shares in a Dutch company if there is an active business enterprise.

IP regime

Legal

The Netherlands offers good legal protection and recognition for patents, trademarks, copyrights and industrial designs and models.

IP and R&D rules

The 'innovation box' regime offers generous IP and R&D tax relief for intangible assets of a technical nature (this includes IP, R&D and knowhow but excludes goodwill and trademarks).

The innovation box regime is optional and a group may elect for assets to be included, although once elected, the asset must stay in the regime until sold.

Under the regime, income and gains of the qualifying assets are effectively taxed at 5%.

IP amortisation is tax deductible.

Income and capital gains in relation to IP outside the regime will be taxed at the headline rate of 25%.

In addition to the innovation box, a company can obtain a substantial reduction in the level of payroll tax and social security contributions in respect of technical employees, subject to certain criteria being met.

In the 2012 tax reform, a new tax incentive was introduced, the research & development deduction (RDA). The RDA applies to costs incurred for, and investments made in, R&D incurred after 31 December 2011.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in the Netherlands, on a progressive scale up to 52%, inclusive of social security contributions.

Benefits in kind

Generally certain benefits can be provided on a tax efficient basis including child care arrangements, company car, cost of living allowance, schooling, housing, medical expenses, relocation expenses and pension arrangements.

For IP, the newly extended innovation box regime, offers groups a very competitive tax regime for technical IP. By electing into the regime, income and gains from qualifying assets are effectively taxed at 5%.

Expatriate rules

The Netherlands has a special tax regime for expatriates, the 30% ruling. If the employee has specific expertise, has been required from abroad and works for an employer who is a Dutch wage tax-withholding agent, then 30% of gross income may be paid out without being subject to income tax. This results in an effective rate of income tax (and social security contributions) for expatriates of 36.4%.

Expatriates may also be entitled to special deductions for relocation related expenses.

Corporate set up

Corporate entity

The most common type of company in the Netherlands is a BV. However, COOPs are often used for international tax structuring for those wishing to distribute profits outside the EU without WHT (if certain conditions are fulfilled).

For a BV, the minimum share capital requirement is €0,01 (as of October 1, 2012 the minimum share capital of €18,000 has been abolished), it is permitted to have only one shareholder and there are no director requirements.

Examples of companies headquartered in the Netherlands: (page 48)

Nike: only the European HQ is in the Netherlands. The worldwide HQ is in the US Coca Cola: HQ is in Atlanta, U.S. BHP Billiton: The global head office of the Company has always been in Melbourne since the original BHP headquarters was established a few blocks away at 121 Collins Street West in 1885.

Cost

Company set up costs start at €3,500 and can take up to two weeks.

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Spain

Introduction

Investment climate

- local currency: Euro (€)
- respected regulatory regime
- skilled and semi-skilled labour, including technical and professional personnel, widely available.

Quality of living

- nice weather
- good communications between America, Europe and Africa.

Due to its holding company regime and a strong treaty network Spain is commonly used as a location for investments into South America.

Culturally and linguistically, Spain is considered a strategic location for accessing Latin America, and its favourable treaty network with these countries further its attraction for investing in Latin America.

Spain has just reduced its corporation tax rate, (28% for 2015 and 25% for 2016 onwards) and it has a good holding company regime which offers a participation exemption for dividends and capital gains and a good treaty network.

Spain's economy is largely service orientated, with services accounting for more than 66% of its GDP. It has a modern countrywide infrastructure in terms of transport and also wireless technology. Spain's main industries are tourism, manufacturing, construction and real estate.

The quality of life in Spain is very good and the cost of living is low compared with many other European countries and therefore it can be a desirable location for expatriates.

In terms of IP, Spain has a favourable R&D tax regime which offers generous tax credits and, together with the IP exemption regime, a company may be able to obtain a lower effective tax rate on its IP income.



Holding company

Corporate taxation

The standard rate of corporation tax in Spain has just been reduced to 28% for 2015 and 25% for 2016 onwards. Another 2.5% can be reduced under certain circumstances when profits are not distributed to the shareholder.

Worthless stock will not be further deductible.

Losses from the transfer of local or foreign subsidiaries will be deductible only when higher than the exempted dividends from that participation.

There are some tax restrictions when financial expenses are higher than 30% of the operative profit (ie Earnings Before Interest, Taxes, Depreciation and Amortisation (EBIDTA)).

Stamp taxes and other capital duties

There is no effective capital duty or stamp duty applicable in Spain from 1 January 2011.

Exemption from corporate tax

If a company qualifies as a Spanish holding company, an 'ETVE', it is exempt from Spanish corporate tax on foreign-source income, including dividends, that it receives and the capital gains it realises on the sale of foreign participations if certain conditions are met.

Then income from the ETVE (dividends and capital gains) obtained from a non resident shareholder will not be taxed in Spain.

For an entity to qualify as an ETVE, it must hold shares in overseas subsidiaries with enough substance and notify the Spanish Tax Authorities.

Anti-avoidance legislation

Spain has CFC legislation that applies where there is a 50% shareholding and the effective tax rate of the non-resident is less than 75% of the Spanish tax rate. However, this rule applies to certain types of income, not being all included.

There are also anti avoidance rules regarding dividends and capital gains from subsidiaries resident in tax havens.

As from March 2012, thin capitalisation rules in Spain have been replaced by a general limitation on the deductibility of gross financial expenses. The new rules allow a deduction up to 30% of the operating profit of the fiscal year (earning-stripping rule), although financial expenses will be 100% deductible up to €1 million. This limitation will apply for the indebtedness from non EU companies, EU companies and Spanish companies, regardless of whether the companies are related entities (although there are a number of exceptions to the application of the rule).

There is a specific restriction regarding the non-deductibility of financial expenses derived for intra-group loans used to finance intra-group acquisitions of shares or to increase capital in other subsidiaries (unless proving economical reasons).

Withholding taxes

An ETVE can distribute to its non-Spanish resident shareholders (without a permanent establishment in Spain), the profits that result from receipt of foreign exempt income, as described above, free of any Spanish WHT.

The domestic rate of WHT on annual interest payable is 20% (19% as from 2016). This rate may be reduced to 0% under the EU parent subsidiary directive and this rate can also be reduced under treaties.

The domestic rate of WHT on royalty payments is 24% (20% or 19% for EU tax residents). This rate may be reduced to 0% under the EU parent subsidiary directive. This rate can also be reduced with certain treaty countries.

VAT

The standard rate of VAT is 21%. A reduced rate of 10% applies to newly built properties, hotels, restaurants and entertainment and a 4% rate applies to food, newspapers and books. Financial, insurance and medical services are exempt from VAT.

Double tax agreements

Spain has more than 80 agreements in effect as well as several exchange of information agreements with some other offshore jurisdictions which allow for taking them outside the Spanish tax haven black list.

Foreign shareholders

A capital gain realised on the liquidation of an ETVE or on the sale (fully or partly) of the company will be tax exempt. Any part of the consideration which relates to Spanish subsidiaries would not be exempt.

IP regime

Legal

Spain offers a high level of legal protection and recognition for patents, trademarks, knowhow, goodwill, copyrights and industrial design and models.

IP rules

The IP regime applies to many registered intangible assets. Companies can benefit from an IP tax exemption of 60% of net income arising from the right to use (even transferring) certain qualifying IP rights. Such qualifying IP includes patents or information concerning industrial, commercial or scientific experience. Royalties from any other source are excluded from this incentive. In addition there is a 100% deduction of the development costs of any IP.

It should be observed that some variation to these rules exist if the company applying such IP incentive is located in specific areas in Spain.

This incentive is compatible with the R&D tax credit, so that in many situations both incentives can apply at the same time.

R&D rules

Spain has an R&D regime under which companies can obtain a deduction of between 25% and 42% of the R&D expenditure in a tax year. If the R&D expenses incurred in a year exceed the average amount of expenses in the previous two years, the 25% rate applies to the average rate and the 42% rate applies to the excess.

An additional credit of 17% of the costs relating to payroll of the staff exclusively assigned to R&D activities is available, as well as a deduction of 8% for tangible assets used exclusively within the R&D activity.

Expatriate issues

Income tax

Individuals are taxed on all earned income and passive income and rates are progressive from 20% to 47% for 2015 and 19% to 45% for 2016 and onwards. Savings income is taxed at 20% to 24% for 2015 and 19% to 23% for 2016 and onwards, 25% and 27%.

Social security contributions

Employees pay social security at 6.35%. But some plain cost has been introduced in specific cases.

Expatriate rules

Spain has a special regime for expatriates assigned to Spain as a consequence of an employment contract.

Expatriates eligible for this regime are only taxed on income obtained in Spain, and this is taxed at a 24% flat rate (the excess over €600,000 is taxed at 47%/45%).

Corporate set up

Corporate entity

The most common entity in Spain is an SL (limited liability company). For a SL the minimum share capital requirement is €3,000.

Cost

Company set up costs start at circa €1,000 and can take up to two weeks.

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Switzerland

Introduction

Investment climate

- local currency: Swiss Franc (CHF)
- stable political, social and economic environment
- access to capital/ key markets
- labour availability/ flexibility
- office space/ housing availability
- brilliant IT and communications infrastructure.

Quality of living

- Zurich consecutively rated as top city in the world to live
- scenic landscape
- outstanding road and public transport network
- sound social security and health care system.

Switzerland offers low ordinary corporate tax rates, special tax concepts for international business activities, an attractive tax treatment for individuals and a long-standing advance ruling practice.

Switzerland is located in the heart of Europe and is one of the top locations for international business. Numerous international headquarters, especially well-known trading companies, the largest pharmaceutical companies and major financial institutions are domiciled in Switzerland.

Switzerland offers low ordinary corporate tax rates, special tax concepts for international business activities, an attractive tax treatment for individuals and a long-standing advance ruling practice. Switzerland is a politically neutral country with Swiss Franc as its own currency. It is not a member of the EU, but benefits from close economic cooperation. It is characterised by a stable political, social and economic environment. Switzerland provides access to capital and key markets, flexible labour law as well as brilliant infrastructure facilities. The standard of living is excellent.



Holding company

Corporate taxation

Tax is imposed at federal and cantonal/ municipal level. The effective federal tax rate for non-dividend income or non-capital gains is 7.8%. The standard ordinary overall income tax rate for federal and cantonal/ municipal taxes on non-dividend income or non-capital gains is typically between 12% and 16% depending on the place of residence.

Different tax incentives and tax treatments are provided by the Swiss tax law (ie for holding companies, IP operations, trading operations, financing companies, global/ European headquarters and central entrepreneur/ principal business models). One of the most popular tax concepts for international businesses of any kind is the mixed company tax treatment. It offers a taxation of 8%-10% for companies with predominantly foreign business activities. General deductions may further lower taxation to an effective tax rate of approximately 1-3%.

Stamp taxes and other capital duties

A 1% stamp tax is levied on contributions to the equity of a Swiss company, whether in cash or in kind. A CHF 1m (ie EUR 1.05m) exemption threshold applies on equity contributions. Immigration and corporate reorganisations are fully exempt from stamp tax.

An annual corporate net wealth/ equity tax of typically between 0.001% and 0.525% of net equity is imposed. In many cantons the annual net wealth tax may be credited against the income tax liability.

Exemption from corporate tax

The Swiss holding company tax concept is a cantonal tax law applicable to corporations whose main purpose is to manage long term financial investments in companies (ie two thirds of assets or income must derive from qualifying shareholdings). A company that benefits from such a Swiss holding company tax treatment is fully exempt from cantonal/ municipal taxes.

On the federal level, dividends and capital gains from qualifying shareholdings are tax exempt through the participation exemption. Other income is subject to a tax rate of 7.8%.

Top planning tip: Obtain a tax free step-up to fair market value upon migration of IP to Switzerland combined with the benefit of repatriation of profits up to the fair market value of the migrated IP free from Swiss withholding tax.

Anti-avoidance legislation

Switzerland has no formal transfer pricing legislation or documentation requirements, related party transactions must be carried out on arm's length terms. In general, Switzerland follows the OECD transfer pricing guidelines except for minimum and maximum interest on related party loans.

There are no controlled foreign companies' regulations.

There are unilateral anti-abuse rules that limit base erosion to 50% of treaty benefited income, but these rules lost significance as most updated tax treaties have their own anti-abuse rules.

Withholding taxes

Under domestic law dividends or liquidation proceeds exceeding the nominal share capital are generally subject to a 35% withholding tax. Under the Switzerland-EU savings agreement, which provides Switzerland access to benefits similar to those in the EU parent-subsidiary directive, withholding tax is reduced to 0% on cross-border payment of dividends between related companies residing in EU member states and Switzerland when the capital participation is 25% or more and certain other criteria are met. In addition, important tax treaties provide for a 0% or 5% residual withholding tax rate for qualifying investments.

The repayment of nominal share capital and capital contributions/ paid-in surplus is exempt from withholding tax based on domestic tax law.

Under domestic law no withholding tax is levied on interest. Exceptions apply to interest derived from deposits with Swiss banks, bonds and bond like loans (collective fund borrowing rules), which are subject to a 35% withholding tax. The withholding tax can be reduced under a tax treaty to typically 0% or 5% with most investor countries.

Switzerland does not levy withholding tax on royalties.

VAT

VAT applies to the sale of goods and services in Switzerland and to the import of goods and services into Switzerland. Exports of goods are zero-rated.

The standard VAT rate is 8%. Certain goods and services are subject to a reduced rate of 2.5% and others (eg most banking and insurance services) are exempt. A special 3.8% rate applies to the hotel and lodging industry.

Double tax agreements

Switzerland has double tax treaties with more than 100 jurisdictions (as of February 2015: 104 double tax treaties).

Foreign shareholders

There is no Swiss tax payable for foreign shareholders on the disposal of shares in a Swiss company (i.e. capital gains tax), except for disposal of shares in Swiss real estate companies.

IP regime

Legal

Swiss IP law offers a comprehensive protection of IP from illegal acts, such as copyright infringement. In particular, it covers design, trademark, patent and copyright.

IP rules

Switzerland is a top location for mobile income structures, especially for IP with effective taxation as low as 1%-3%. The most typical taxation model for the exploitation of IP is the mixed company tax treatment.

The Swiss mixed company tax concept is a cantonal tax law available to companies with predominantly foreign related business activities. If at least 80% of income (i.e. royalty payments) and expenses incur abroad a quota of 10%-20% of the foreign sourced income is subject to taxation at cantonal/ municipal level only. This results in an overall taxation of 8%-10% for direct federal as well as cantonal/ municipal taxes. General deductions like depreciations, interest costs for debt financing and/ or other standard expenses further lower taxation to an effective tax rate of 1%-3%.

Capital gains arising on the disposal of IP should be taxed at an effective tax rate of approximately 8%-10%. Disposal values can be agreed with Swiss authorities typically using historic data and consequently reducing capital gain implications.

R&D rules

The Swiss federal and cantonal regulations provide that a company may record a provision for future R&D orders to third parties of maximally 10% of its taxable income, but maximally a total provision of CHF 1m (€1.05m).

Expatriate issues

Income tax

Individuals are taxed on all remuneration for duties performed in Switzerland on a progressive scale typically between 6% and 32% depending on the place of residence and level of income.

Social security contribution

Swiss social security tax of 10.3% is levied on the employee's salary (50% split between employer and employee). In addition, mandatory contributions to a self-funded professional pension plan (i.e. similar to a savings account) as well as unemployment and accident insurance contributions must be paid.

Expatriate rules

There are special deductions against taxable income for expenses such as housing, relocation and schooling costs unless reimbursed by the employer.

If expatriates are affiliated to their own social security system, they are exempt from paying Swiss social security taxes.

Corporate set up

Corporate entity

The most frequently used entity is the corporation (AG). The Swiss limited liability company (GmbH or Sarl) has increased its popularity.

For both legal forms, there are minimum share capital requirements. They must have at least one shareholder and require at least one Swiss resident board member or director.

Cost

Company set up costs approximately CHF 5,000 (€5,250) and can be completed within five to ten business days, (ie straight forward cash incorporation).

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Grant Thornton

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United Arab Emirates (UAE)

Introduction

Investment climate

- local currency: Dirhams (AED)
- stable economic environment
- no personal income, corporate or withholding taxes
- tax free zones and special economic areas allowing incentives.

Quality of living

- large population of foreign nationals
- excellent infrastructure
- good education system
- good health care.

A major center for trade and tourism, the UAE enjoys a strong economy supported by a conducive investment climate in the Free Trade Zones (FTZ) with effective economic and investment policies.

The UAE is a constitutional federation of seven emirates, the constituent emirates are Abu Dhabi, Dubai, Sharjah, Ajman, Ras al-Khaimah, Fujairah, and Umm al-Quwain.

Being one of the largest economies in the Middle East, the country offers investment opportunities to local and international investors and attracts trade because of a number of free zones located throughout the emirates which offer lucrative incentives. Good transport links compliments the potential for international trade.

While petroleum and natural gas are two of the predominant natural resources which encourage investment and trade, the aviation industry continues to grow. The UAE is increasingly spending in the IT infrastructure.

The UAE has a high inbound migration rate and thus, has a large expatriate community. The people of the UAE generally enjoy a high standard of living and the cost of living is relatively high compared with many countries in the Middle East region.

The country has no personal income, corporate or withholding taxes. The country is characterised by an almost complete absence of taxation.



Holding company

Corporate taxation

In actual practice, there is no corporate income tax on the income of the companies, except for oil and gas companies and branches of foreign banks, even though detailed provisions for taxation have been made.

Bank and petroleum taxes

With the exception of banks and oil companies, no corporate income tax is payable by businesses in the UAE.

Oil companies' pay up to 55% tax on the UAE sourced taxable income whereas foreign banks pay 20% tax on taxable income generated in the emirates. The taxable income of banks is as per the audited financial statements whereas that of oil companies is as per the concession agreement. Oil companies also pay royalties on production.

Stamp taxes and other capital duties

There is no stamp taxes and capital duty applicable in the UAE.

There is no tax on capital in the UAE.

Exemption from corporate tax

Though there is no corporate tax on the companies, yet it is prescribed that the rulers of the emirates may exempt bodies corporate from tax by an agreement.

Businesses in the UAE FTZ are offered the exemption from income taxes.

Anti-avoidance legislation

There are no anti-avoidance provisions such as transfer pricing, thin capitalisation or CFC legislation in the UAE.

Withholding taxes

There are no withholding taxes in the UAE.

Value Added Tax (VAT)

There is, currently, no VAT or other sales tax in the UAE. However, the UAE is working on the introduction of VAT.

Double tax agreements

The UAE has double taxation agreements with 52 countries.

Foreign shareholders

Dividends paid to individuals are not taxed. There is no withholding on dividends.

There are no special provisions applicable to capital gains and thus, no tax is payable by a foreign shareholder on the disposal of shares in a UAE company.

IP regime

Legal

The UAE provides a legal framework for protection of patents, copyrights, trademarks and international agreements.

IP rules

There are no special provisions for amortisation of IP or tax treatment on gains arising on disposal of IP.

R&D rules

There is no specific R&D tax regime.

Expatriate issues

Income tax

No income tax is levied on individuals (whether residents or expatriates) in the UAE.

There is no estate, inheritance or gift taxes in the UAE.

Individuals are not subject to any other taxes on income.

Social security contribution

Generally, no social insurance or other statutory contributions are deducted from salaries and wages, however, the UAE national employees working in the public sector must contribute to a retirement scheme under which the employers must also pay a contribution.

The employers' contribution is 12.5% of the 'contribution calculation salary', which is based on employee's basic salary and allowances.

Employees are required to contribute to a retirement scheme at the rate of 5% of their remuneration. The employer is responsible for paying to the General Authority for Pensions and Social Security (GPSSA).

Expatriate rules

There are no payroll taxes in the UAE.

Corporate set up

Corporate entity

The UAE company law recognises seven types of companies for formation under its provisions and permits foreign equity participation in all but one (the general partnership).

Federal company law stipulates a total local equity of not less than 51% in any commercial company (with an exception to businesses set up in the UAE FTZ).

The companies in which foreign equity participation is permitted are as follows:

- the public and private joint stock company
- the limited liability company
- the limited partnership company
- the share partnership company
- the joint venture company (also known as a contractual venture or consortium company).

Of these, limited liability company is more commonly used by the foreign investors.

A limited liability company must have a minimum of two and a maximum of 50 members whose liability is limited to their shares in the company's capital. No minimum capital requirement is required. It is a requirement for the establishment of a company to have one or more national partner(s) whose share in the company's capital is not less than 51%.

Capital requirements under the company law varies for each type of company. A company in which the state or any other public body hold any share capital, irrespective of its amount, shall be incorporated only as a public joint stock company.

The minimum share capital for these entities are currently AED ten million for public joint stock company and AED two million for private joint stock company.

Cost

The Company set up costs start at around AED 5,350 and takes a minimum of eight days. The cost stated is exclusive of a consultant's cost who may be engaged for incorporating a company.

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Grant Thornton

An instinct for growth™

United Kingdom

Introduction

Investment climate

- local currency: GBP (£)
- stable political environment and respected regulatory regime
- large local pool of skilled labour
- labour laws are less stringent than EU labour laws.

Quality of living

- high quality infrastructure
- high standard of education
- an increasingly more multicultural society.

The complexity of the UK tax regime remains a deterrent to some groups although this is offset by the significant reductions in headline corporation tax rate to 21% (20% from 1 April 2015) and the commercial benefits of locating in the UK.

The UK has historically been a popular holding company location as a commercial gateway to Europe. From a tax perspective, there is a strong treaty network, a dividend exemption, an exemption from corporate taxation of gains on disposal of shares, and no WHT on dividends, although the complex legislation has deterred some groups. The UK government has continued to reduce the headline corporate tax rate, which is now 21% (from 1 April 2014) and with a committed further reduction to 20%, effective from 1 April 2015.

A new 'Diverted Profits Tax' will be introduced in the UK, from 1 April 2015, to tackle contrived international structures which divert profits away from the UK. The rules will apply to companies with activities in the UK which enter into artificial arrangements to divert profits away from the UK by avoiding a UK taxable presence and/or by other contrived arrangements between connected entities through the use of transactions or entities that lack economic substance. Those diverted profits will be subject to a tax at 25% (although there will be an exemption for small and medium sized businesses).

Commercially, the UK offers stability, both politically and economically, with extensive links with the rest of Europe, and offers a well-educated work force.

The key sectors for the UK include construction and property, financial services and media and entertainment.

With a free health service and good schools it can attract high-calibre expatriates. As the cost of living in certain parts of the UK is high, expatriates will expect attractive remuneration packages.



In terms of IP, the UK has a favourable R&D tax regime which offers generous tax deductions and credits, the magnitude of which depends on the size of the group. In addition the newly introduced patent box regime under which relevant profits are taxed at just 10% is aimed to attracting more high technology groups to the UK.

Holding company

Corporate taxation

The headline rate of corporation tax is 21% from 1 April 2014, reducing to 20% from 1 April 2015.

Stamp taxes and other capital duties

Stamp duty of 0.5% applies to the transfer (but not issue) of shares.

Exemption from corporate tax

The UK has a dividend exemption, with the majority of dividends received being exempt from UK tax.

Capital gains arising on the disposal of shares in a trading company where the UK company has owned at least 10% of the share capital for 12 months out of the last 24 months are exempt from corporate tax, providing certain trading criteria are met.

Anti-avoidance legislation

The UK has transfer pricing rules that require all related party transactions to be reflected at arm's length for tax purposes. In addition, the UK has the worldwide debt cap legislation that seeks to restrict interest deductibility where, broadly, the level of debt in the UK entity is deemed to be excessive compared to the level of debt in the worldwide group.

The UK has complex CFC legislation, the updated version of which came into effect for accounting periods ending on or after 1 January 2013. The intention of the new legislation was to modernise the rules and make the UK more attractive for international trade although the complexity and subjectivity of the new rules may mean this is not the case. The new CFC rules contain provisions for offshore group finance companies to suffer significantly reduced UK tax on their profits.

It is possible for companies to obtain advanced rulings from the UK tax authorities on the tax treatment of certain matters. These are not compulsory and can be costly.

The UK is a good location for financial services, construction and increasingly high technology businesses.

Withholding taxes

The UK does not impose WHT on dividends paid by a UK company.

The domestic rate of WHT on interest payable to non-residents is 20%. There is no WHT on interest payable to companies in EU countries where either the payer or payee holds directly or indirectly at least 25% of the share capital in the other. In addition, there are reduced WHT rates with treaty countries.

The domestic rate of WHT on royalty payments to non-residents is 20%. There is no WHT on royalty payments to companies in EU countries where either the payer or payee holds directly or indirectly at least 25% of the share capital in the other. In addition, there are reduced WHT rates with treaty countries.

VAT

The standard rate of VAT is 20%. A reduced rate of 5% applies to domestic fuel and power, energy saving products and certain residential alterations. In addition, books, newspapers, food, residential new builds and transport are subject to a zero-rate.

Double tax agreements

The UK has more than 120 agreements currently in effect.

IP regime

Legal

The UK has a robust legal framework for the protection of IP including patents, copyrights, trademarks, service marks and industrial designs and models.

IP rules

The UK IP regime applies to broadly all intangible assets (including goodwill) whether acquired or internally generated post March 2002. Under the regime, amortisation is deductible in line with the accounts or the taxpayer can elect for relief at 4% per annum.

Gains on the disposal of IP assets are taxed at the headline tax rate and such gains may be deferred, where the proceeds from sale are re-invested in qualifying assets.

Following the introduction of the patent box regime in 1 April 2013, qualifying patent income is subject to a rate of 10%. The regime is being phased in over five years, with 60% of the benefit applying in 2013 and the full benefit applying from 2017 onwards. Qualifying patents include both new and existing patents granted by the UK and European patent office. The regime is not restricted to owners of patents but also those who hold the exclusive licence over patented technologies and qualifying income includes that from the sale of a patented product or a product containing a patented item, royalties and licence fees from rights granted over patented technology, income from the realisation of a patent and income from a patent infringement.

R&D rules

The UK R&D rules offer enhanced deductions and credits for qualifying expenditure, depending on the size of the group.

For small and medium enterprises (SMEs), a 200% deduction is available for qualifying R&D expenditure and loss making SMEs are able to claim a tax repayment by surrendering tax credits.

For large enterprises, a new R&D regime was introduced from 1 April 2013, under which an above the line credit of 10% for qualifying R&D expenditure may be claimed. This credit either effectively reduces any corporate tax liability for profitable companies or provides a tax repayment for loss making companies. Companies can continue to use the old R&D rules (claiming an enhanced deduction of 130% qualifying R&D expenditure) until 31 March 2016.

Qualifying capital R&D expenditure is wholly allowable as a tax deduction by way of a 100% capital allowance in the year it is incurred.

Expatriate issues

Income tax

Broadly, UK resident individuals are taxed on all remuneration (including benefits in kind) for duties performed in the UK, on a three tier scale 20%, 40% and 45%, although the 45% rate only applies to taxable income in excess of £150,000.

There are numerous deductions and exemptions, in particular, taxable income is determined after deducting a personal tax free allowance of £10,000 and qualifying pension contributions. Most benefits in kind are taxable.

Social security contribution

Employee social security contributions are payable at 12%, with employers required to pay an additional 13.8% employer contributions on salaries.

The UK tax authorities have introduced new R&D and patent box regimes which have increased the UK's draw as an IP holding company location.

Expatriate rules

Expatriates from outside the UK may qualify for the 'remittance basis' filing option. The remittance basis permits that non UK sourced investment income or gains will be tax exempt if paid and retained outside of the UK. Furthermore, non UK employment duties performed by expatriates in the first three tax years of residence may also attract relief. Where the remittance basis is chosen, certain allowances are not available and an additional tax charge of £30k or £50k may apply depending on how long the expatriate has been resident in the UK.

For expatriates on temporary assignments (up to 24 months, to or from the UK), there are further generous deductions for travel and subsistence expenses incurred.

Corporate set up

Corporate entity

The most frequently used entity is the limited company, which has no minimum share capital and only requires one shareholder and one director. The LLP, a limited liability partnership is becoming increasingly more widely used, although the introduction of new rules effective from 1 April 2014 in relation to the application of pay-as-you-earn (PAYE) and National Insurance contributions (NIC) for 'salaried partners' may reduce the appeal.

Cost

Company set up costs start at €600 and can be completed in a week.

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Other territory profiles

The key holding company locations are not exclusive and this section summarises the key issues to consider in various other global territories.



Algeria

Holding company

Corporation tax rate

Tax on profits: 25% for non-tourism companies involved in the services sector. 19% for tourism and production sector companies. 25% for trading and service companies and 19% for other activities (production of goods and tourism activities). Social security is subdivided into rates: (Plus 35% of social surcharge): 26% borne by the employer and 9% borne by the employee.

Participation exemption on dividends?

Yes in the following cases:

- dividends related to shares of listed companies in Algiers Stock Exchange till 2019
- dividends distributed by a subsidiary to the holding once the two entities are established in Algeria.

Participation exemption on capital gains?

Capital gains are exempted in case:

- bonds issued by companies listed in Algiers Stock Exchange till 2019
- shares: exemption range between 30% to 65% of capital gains (capital gain on shares sold by non-resident investment fund: 50% exemption).

Interest deductibility?

Yes, interest is deductible.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

There is no controlled foreign company regime. According to new regulation, the shares are held as follows: 51% for Algerian resident and 49% for foreign resident. The same tax regime is applied on all companies, except in the existence of a tax treaty.

Local tax on disposal of shares by foreign shareholder?

No.

Withholding tax on dividends?

15% applied on dividends from a foreign person (except in the existence of a tax treaty). 10% applied on dividends from an Algerian citizen.

Withholding tax on interest?

No.

Withholding tax on royalties?

No.

Number of double taxation treaties

33.

Standard VAT rate

17%.

Other incentives?

National Agency of Investment Development (ANDI) incentives. ANDI is a government agency in charge of the promotion of investment in Algeria, this organisation offers investment incentives and encouragement measures.

IP holding company

IP regime?

No.

Tax rate on IP income

No

Capital gains on IP

No.

IP amortisation deduction

No.

Other comments

Local currency

Algerian Dinar.

Income tax rate

Income tax on salaries and tax on annual partner's benefit.

Expatriate regime

Expatriates are eligible to the common tax regime; they are taxed on their annual and monthly global revenues.

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Austria

Holding company

Corporation tax rate
25%.

Participation exemption on dividends?
Yes.

Participation exemption on capital gains?
Yes, gains are exempt if the subsidiary is not located in Austria (conditions are 10% holding for more than 12 months).

Interest deductibility?
Yes, subject to transfer pricing rules. No interest deduction for intercompany purchase.

Transfer pricing rules
Yes, but no specific legislation. OECD transfer pricing rules are implemented as the administration's view on the topic.

Controlled foreign company regime?
No, however the misuse of legal structuring in regard to the allocation of assets and liabilities as well as the possible treatment of foreign companies as transparent entities have to be taken into account.

Local tax on disposal of shares by foreign shareholder?
Yes, 25% if the shareholder has held at least 1% of the total share capital in the last five years, although double taxation agreements do not usually grant Austria with any taxing rights.

Withholding tax on dividends?
Yes, 25% but reduced to 0% under EU parent subsidiary directive or a reduction under double taxation treaties. In case of potential misuse of an Austrian holding company, withholding tax has to be levied and a refund claim has to be filed with the Austrian tax authorities.

Withholding tax on interest?
No, unless interest paid on debt secured on Austrian property.

Withholding tax on royalties?
Yes, 20% but may be reduced to 0% in case of payment to an affiliated company within EU.

Number of double taxation treaties
80+.

Standard VAT rate
20%.

Other incentives?

Group taxation regime. Foreign loss producing subsidiaries can be included and losses can be offset immediately against profits from Austrian activities.

EU merger directive has been implemented (reorganisation tax act). In case of transfer of shareholdings, the exit taxation of capital gains can be deferred within the EU or within EEA in case of comprehensive legal and administrative cooperation.

IP holding company

IP regime?
No, the creation of IP may be subsidised through a research funding.

Tax rate on IP income
No special regime, taxed at usual corporate tax rate of 25%.

Capital gains on IP
Capital gain on IP disposal is taxable. The cross-border transfer of an IP within the same corporation leads to a fictitious disposal of the IP. However, tax can be deferred under certain circumstances (for example a transfer within the EU).

IP amortisation deduction
No, depreciation allowance for intangible goods only if they have been acquired against payment. No depreciation allowance for self-provided intangible goods.

Other comments

Local currency
Euro.

Income tax rate
Progressive, up to 50% (in addition to high social security costs although these are capped at earnings of €63.420,00 per annum (value valid for the year 2014)).

Expatriate regime
An Austrian tax charge arises on employment income derived from duties performed in Austria. There are specific expenses deductible from this income to the extent that the individual is employed in Austria.

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Botswana

Holding company

Corporation tax rate

22%.

Participation exemption on dividends?

No, dividends paid are taxed at 7.5%.

Participation exemption on capital gains?

Capital gains are taxed at corporate rate.

Interest deductibility?

Yes.

Transfer pricing rules

No, however, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

No, companies can be 100% owned by foreign entity or shareholders.

Local tax on disposal of shares by foreign shareholder?

Yes, at the corporate tax rate on the net disposal gain.

Withholding tax on dividends?

Yes, 7.5% on all payment of dividends subject to a double taxation agreement.

Withholding tax on interest?

Yes, 10% in excess of P1,950 per quarter.

Withholding tax on royalties?

Yes, only if it is paid outside Botswana.

Number of double taxation treaties

12.

Standard VAT rate

12%.

Other incentives?

Manufacturing companies taxed at 15% subject to approval.

IP holding company

IP regime?

There is no separate regime.

Tax rate on IP income

Taxed at usual 22% corporate tax rate.

Capital gains on IP

Capital gain on IP disposal taxed in the normal manner.

IP amortisation deduction

Yes.

Other comments

Local currency

Pula.

Income tax rate

Progressive up to 25%.

Expatriate regime

Individual taxpayers are allowed to claim all expenses directly incurred with their income from other sources such as rent farming etc. The first P36,000 is exempt from tax for a resident. Person drawing a taxable income of over P144,000 will pay tax at 25%. Medical aid, home travel for the family and contribution to approved pension fund is exempt from tax. Housing, furniture interest free loans and vehicle are taxed based on values.

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Czech Republic

Holding company

Corporation tax rate

19%.

Participation exemption on dividends?

Yes.

Participation exemption on capital gains?

Yes.

Interest deductibility?

Yes, subject to thin capitalisation rules.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

No.

Local tax on disposal of shares by foreign shareholder?

Yes, 19% on capital gains realised unless reduced under the relevant treaties or tax exempt. Capital gains realised by a parent company from disposal of shares in a subsidiary to a Czech tax resident company or a company that is tax resident in the other EU countries are tax exempt providing that the parent company owned more than 10% share for the period longer than 12 continuous subsequent months immediately before the disposal.

Withholding tax on dividends?

Yes, 15% in general but reduced to 0% under EU parent subsidiary directive and also may be reduced under treaties. 35% for tax residents of non EU countries or countries that do not have concluded a valid tax treaty or agreement on exchange of tax information.

Withholding tax on interest?

Yes, 15% in general but reduced to 0% under EU interest and royalties directive and also may be reduced under treaties. 35% for tax residents of non EU countries or countries that do not have concluded a valid tax treaty or agreement on exchange of tax information.

Withholding tax on royalties?

Yes, 15% in general but reduced to 0% under EU interest and royalties directive and may be also reduced under treaties. 35% for tax residents of non EU countries or countries that do not have concluded a valid tax treaty or agreement on exchange of tax information.

Number of double taxation treaties

80+.

Standard VAT rate

21%.

Other incentives?

No.

IP holding company

IP regime?

No.

Tax rate on IP income

No special regime. Taxed at usual corporate tax rate of 19%.

Capital gains on IP

No special regime.

IP amortisation deduction

Yes, if the intangible property was purchased or created by the company for further sale.

Other comments

Local currency

Czech Crown.

Income tax rate

Flat personal income tax rate of 15%. Solidary tax increase of 7% for income exceeding the amount of the average wage announced by the Czech social insurance authorities multiplied by 48 (ie exceeding the amount of approx. €45,446 in 2014).

Expatriate regime

A Czech tax charge arises on employment income derived from duties performed in the Czech Republic based on the gross salary plus social and health insurance paid by the employer. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc including the reimbursement of travel expenses over a certain level. There are no specific concessions for expatriates.

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Denmark

Holding company

Corporation tax rate

24.5% (2014) 23.5% (2015) 22% from 2016.

Participation exemption on dividends?

Yes, providing there is a minimum 10% shareholding or it is received from another group company. When under 10% shareholding only 70% of the dividend from unlisted shares is taxable (this is a new rule and in force on dividend approval after 31 December 2014).

Participation exemption on capital gains?

Yes, providing there is a minimum 50% shareholding/votes or it is received from another group company.

Interest deductibility?

Yes, subject to thin capitalisation and anti-abuse rules.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes, for controlled subsidiaries.

Local tax on disposal of shares by foreign shareholder?

No, generally not.

Withholding tax on dividends?

Yes, 27% but reduced to 15% if certain criteria are met, 0% under the EU parent subsidiary directive and also may be reduced under treaties.

Withholding tax on interest?

Yes, 25% on interest payments from a controlled Danish company to a foreign company. Controlled is defined as ownership of more than 50% of the share capital or votes. Reduced under EU interest and royalties directive and also may be reduced under treaties.

Withholding tax on royalties?

Yes, may be reduced under treaties.

Number of double taxation treaties

75+.

Standard VAT rate

25%.

Other incentives?

No.

IP holding company

IP regime?

IP amortisation is tax deductible. Generally intangible assets are amortised over seven years (straight-line basis and determined on a cash basis). Specific rules apply if the protection time of knowhow, patents and copyrights is shorter than seven years. Alternatively, knowhow and patents are fully tax-deductible in the year of acquisition according to the owner's choice.

Tax rate on IP income

No special regime. Taxed at usual corporate tax rate of 24.5% (23.5%/22%).

Capital gains on IP

Capital gain on IP disposal is taxable.

IP amortisation deduction

Yes.

Other comments

Local currency

Danish Kroner

Income tax rate

Progressive up to 52%.

Expatriate regime

Foreign key employees working temporarily in Denmark, who have not been subject to Danish taxation (on certain income) in the previous 10 years, may choose to be taxed at a flat rate of 26% of their gross salary plus a labour market contribution of 8%, resulting in a total tax of approximately 32% of their gross salary (for up to 60 months). Certain requirements must be met in order to qualify for the expat regime.

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Estonia

Holding company

Corporation tax rate

20%.

Participation exemption on dividends?

Yes.

Participation exemption on capital gains?

No.

Interest deductibility?

Yes, there are no thin capitalisation rules.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

No, however anti-tax haven rules apply for certain transactions, treating these as deemed profit distributions.

Local tax on disposal of shares by foreign shareholder?

No, unless Estonian company is deemed to be a real estate company.

Withholding tax on dividends?

No.

Withholding tax on interest?

No.

Withholding tax on royalties?

Yes, 10%. However, royalty payments to associated EU and Swiss companies meeting certain conditions are exempt from withholding tax.

Number of double taxation treaties

56.

Standard VAT rate

20%.

Other incentives?

Companies do not pay corporate income tax on earned profits until these are distributed as dividends or other forms of profit distributions, allowing companies established in Estonia to reinvest their profits in other entities without being subject to corporate income tax in Estonia. This rule is applicable for all type of received income (incl. capital gain).

IP holding company

IP regime?

There are no special incentives for IP.

Tax rate on IP income

No special regime. Taxed at standard corporate income tax rate of 20%.

Capital gains on IP

Yes, corporate income tax will be applicable from the moment of profit distribution (in form of dividends or other distributions).

IP amortisation deduction

No.

Other comments

Local currency

Euro.

Income tax rate

Flat rate of 20%.

Expatriate regime

No special favourable tax regime for expatriates.

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Finland

Holding company

Corporation tax rate
20%.

Participation exemption on dividends?
Yes.

Participation exemption on capital gains?
Yes, providing there has been a holding period of at least one year, ownership of minimum 10% and the shares are not shares in a real estate company.

Interest deductibility?
Yes, interest expense up to the amount of interest income and net interest expense up to €500,000 fully deductible. If net interest expense exceeds €500,000, related party interests non-deductible or deductible only up to 25% of the taxable income depending on total amount of related party interests and taxable income (not applicable if company's equity balance sheet ratio is equal or greater than that of the group).

Transfer pricing rules
Yes, transactions between related parties must comply with the arm's length principle (although there are no documentation requirements for domestic transactions). Transfer Pricing documentation must be prepared in cross border related party transactions and updated annually. A punitive tax increase may be imposed for non-compliance irrespective of the arm's length level of pricing.

Controlled foreign company regime?
Yes, however in general not applicable to EU resident companies.

Local tax on disposal of shares by foreign shareholder?
No, unless the shares are that of a company carrying on real estate activities.

Withholding tax on dividends?
Yes, 20% unless the rate is reduced under a tax treaty or exempt under the EU parent-subsidiary directive.

Withholding tax on interest?
Generally exempted.

Withholding tax on royalties?
Yes, 20% unless the rate is reduced under a tax treaty or exempt under the EU interest and royalties directive.

Number of double taxation treaties
60+.

Standard VAT rate
24%.

Other incentives?
No.

IP holding company

IP regime?
No special regime.

Tax rate on IP income
Taxed at usual corporate tax rate of 20%.

Capital gains on IP
Capital gain on IP disposal but may be deferred.

IP amortisation deduction
Amortisation is tax deductible for a maximum of ten years based on economic lifetime of the item.

Other comments

Local currency
Euro.

Income tax rate
Progressive up to 50%.

Expatriate regime
A Finnish tax charge arises on employment income derived from duties performed in Finland. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc. There are no specific expatriate concessions in Finland.

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France

Holding company

Corporation tax rate

33.3% (plus social surcharge of 3.3% on the corporate tax exceeding €763,000 in a year and an additional temporary surcharge of 10.7% where turnover exceeds €250 million until 30 December 2016).

Participation exemption on dividends?

Yes, dividends received are 95% exempt (conditions are a minimum 5% holding for more than two years, but dividends can be exempt from the start of this two year period).

Participation exemption on capital gains?

Yes, gains are 88% exempt (conditions are a minimum 5% holding for more than 24 months).

Interest deductibility?

Yes. If paid to a related-party lender, interest must be taxed at a minimum rate. The deductibility is limited to a maximum interest rate, submitted to thin capitalisation rules and control test, and overall limited to 75% of the net financial costs over €3 million.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes, 50% shareholding for subsidiaries. Safe harbour clause may apply to both EU and non-EU countries.

Local tax on disposal of shares by foreign shareholder?

Yes, a 45% WHT on capital gains realised on a substantial shareholding (25%), unless reduced or cancelled under double tax treaties. A 75% WHT on capital gains realised by residents of non-cooperative states or territories (NCST), without any shareholding threshold.

Withholding tax on dividends?

Yes: 30%, reduced to 0% under EU parent-subsidiary directive, and may also be reduced or cancelled under double tax treaties. Dividends paid to a resident of a NCST are liable to a 75% withholding tax. A 3% tax applies on distributions paid after 17 August 2012 (dividends and deemed dividends).

Withholding tax on interest?

No, since 1 March 2010, except for interest paid to a resident of a NCST which is liable to a 75% withholding tax.

Withholding tax on royalties?

Yes, 33.3% but reduced to 0% under EU interest and royalties directive (on the condition of a minimum 25% holding of one of the involved companies by the other, or 25% holding of both of them by a third company, for more than

24 months) and may also be reduced under double tax treaties. Royalties paid to a resident of a NCST are liable to a 75% withholding tax.

Number of double taxation treaties

124.

Standard VAT rate

20%.

Other incentives?

No.

IP holding company

IP regime?

Yes, a tax deduction is available on cost or purchase price. Rates range from 100% in the year of acquisition (for R&D costs) to 20% over five years (for most patents).

Tax rate on IP income

15% (before CIT surcharges) on royalties from patents and deemed patent licensing. For patents acquired for valuable consideration, the 15% rate applies only after two years holding.

Capital gains on IP

15% (before CIT surcharges) on capital gain related to the transfer of IP rights held for more than two years to non-related entities.

IP amortisation deduction

Most patents are amortisable. In some cases, licenses are amortisable. Most trademarks are not amortisable.

Other comments

Local currency

Euro.

Income tax rate

Progressive up to 45%.

Expatriate regime

A French tax liability arises on income derived from duties performed in France. For new residents seconded to France (impatriates), allowances related to secondment and remuneration related to workdays spent out of France are tax exempt, subject to certain conditions.

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Germany

Holding company

Corporation tax rate

28-33% (this includes corporate and trade tax, which depends on the municipality).

Participation exemption on dividends?

Yes, dividends received are 95% exempt provided that it is a 10% minimum shareholding and that the payments are not tax deductible on the level of the distributing entity.

Participation exemption on capital gains?

Yes, gains from the sale of shares in a corporation are 95% exempt (currently no shareholding conditions to be met although this has been intended to be amended to a 10% minimum shareholding). Other capital gains are subject to the usual corporation tax rate.

Interest deductibility?

Yes, subject to interest ceiling rules.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes, passive foreign income is taxed if that income was subject to tax at an effective rate of less than 25%. Exemptions apply for EU based subsidiaries.

Local tax on disposal of shares by foreign shareholder?

If the foreign shareholder is a corporation, 95% of the capital gain is tax exempt. 40% is tax exempt in case of an individual as a shareholder. A treaty may lead to Germany not having a taxation right at all.

Withholding tax on dividends?

Yes, 26.375% but this can be reduced to 15.825% if the shareholder is a corporation. The rate may be reduced to 0% under the EU parent subsidiary directive and may also be reduced under treaties. German anti-abuse regulations are to be taken into account.

Withholding tax on interest?

Basically applies only to interest paid by banks to German tax residents. However, with regard to non-residents, interest on loans secured by German real estate and on profit participating loans is generally taxable in Germany.

Withholding tax on royalties?

Yes, 15.825%. The rate may be reduced to 0% under the EU royalty directive, and may also be reduced under treaties.

Number of double taxation treaties

100+.

Standard VAT rate

19%.

Other incentives?

No.

IP holding company

IP regime?

No special IP regime. However, there is an amortisation deduction for purchased IP.

Tax rate on IP income

No special rate, the usual corporation tax rate applies.

Capital gains on IP

Capital gains on IP are subject to standard tax rate.

IP amortisation deduction

Yes (for purchased IP).

Other comments

Local currency

Euro.

Income tax rate

Progressive up to 45%.

Expatriate regime

No special expatriate regime. In general, individual taxpayers are allowed to claim all expenses directly incurred with their income from employment. There is a tax free lump sum for these expenses for employees at an amount of €1,000. Thereafter, various other deductions and allowances apply on taxable income.

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Greece

Holding company

Corporation tax rate

26%.

Participation exemption on dividends?

Yes, if paid by an EU company and there is a minimum shareholding of 10% for at least two years.

Participation exemption on capital gains?

No.

Interest deductibility?

Yes, subject to transfer pricing and thin capitalisation rules.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes, on a combined country (black listed countries and countries with a beneficial tax regime) and transaction (passive income, in general) basis. Safe harbour clause exists for EU subsidiaries. In addition, transactions with such countries may not be deductible.

Local tax on disposal of shares by foreign shareholder?

No, provided there is a treaty.

Withholding tax on dividends?

Yes, 10% but this may be reduced to 0% under EU parent subsidiary directive and also may be reduced under treaties.

Withholding tax on interest?

Yes, 15% but reduced to 0% under EU interest and royalties directive and also may be reduced under treaties.

Withholding tax on royalties?

Yes, 20% but reduced to 0% under EU interest and royalties directive and also may be reduced under treaties.

Number of double taxation treaties

50+.

Standard VAT rate

23%.

Other incentives?

No.

IP holding company

IP regime?

No special regime. R&D expenses are by 130% tax deductible in the year they are incurred.

Tax rate on IP income

Taxed at usual corporate tax rate of 26%.

Capital gains on IP

Capital gain on IP disposal is taxed at usual corporate tax rate of 26%. It cannot be deferred.

IP amortisation deduction

A tax deduction for amortisation is available on the historic cost basis and a company can choose to take a deduction either spread over ten years or during the relevant contract duration.

Other comments

Local currency

Euro.

Income tax rate

Progressive up to 42%, for employment income.

Expatriate regime

A Greek tax charge arises on employment income derived from duties performed in Greece. Taxable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc. There is also a requirement on the expatriate's employer to deduct Greek payroll withholding tax from the taxable employment income. There are no specific expatriate concessions in Greece.

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Isle of Man

Holding company

Corporation tax rate

0% income tax rate, as there is no separate corporate tax regime, unless the company is a banking business, a retail business, or is in receipt of rental income from land and property situated in the Isle of Man.

Participation exemption on dividends?

Not applicable – there is no withholding tax on dividends paid to non-Isle of Man resident companies or individuals.

Participation exemption on capital gains?

Not applicable – there are no capital taxes in the Isle of Man.

Interest deductibility?

Yes.

Transfer pricing rules

Not applicable – there are no formal transfer pricing rules in the Isle of Man.

Controlled foreign company regime?

Not applicable – there is no specific controlled foreign company regime in the Isle of Man.

Local tax on disposal of shares by foreign shareholder?

Not applicable – there are no capital taxes in the Isle of Man.

Withholding tax on dividends?

No.

Withholding tax on interest?

No.

Withholding tax on royalties?

No.

Number of double taxation treaties

There are 23 double tax treaties and 27 tax information exchange agreements in place with various jurisdictions around the world. In addition, there are specific treaties with certain countries dealing with shipping and aircrafts.

Standard VAT rate

20%.

Other incentives?

The tax reporting requirements for an Isle of Man company, which has no Isle of Man resident shareholders or ultimate beneficial owners, can be limited to only having to submit a basic annual tax return, depending on the nature of the company's income.

IP holding company

IP regime?

Not applicable – there is no specific IP regime in the Isle of Man.

Tax rate on IP income

No special regime. Taxed at the usual 0% income tax rate.

Capital gains on IP

Not applicable – there are no capital taxes in the Isle of Man.

IP amortisation deduction

Yes, for accounting purposes.

Other comments

Local currency

British Pound Sterling.

Income tax rate

Progressive up to 20%. There is a 'Tax Cap' regime available on election to limit the amount of annual tax paid by an Isle of Man resident individual.

Expatriate regime

Not applicable – there is no specific expatriate regime in the Isle of Man.

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Grant Thornton

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Italy

Holding company

Corporation tax rate

27.5% (plus a regional tax of 3.9% levied on a regional basis; regions are allowed to increase or decrease the standard regional tax rate up to 0.92%).

Participation exemption on dividends?

Yes, dividends received are 95% exempt (no shareholding conditions to be met) unless received from 'black list' countries (broadly tax havens). Full taxation in the case of shares 'held for trading' by IFRS/IAS adopters.

Participation exemption on capital gains?

Yes, gains are 95% exempt. Conditions include the shares being held for more than 12 months, the first registration of the shares among financial assets (not financial receivables) and the company invested in having an operating business activity and being resident in a 'white list' country for the last three tax years.

Interest deductibility?

Yes, subject to certain limitations. Financial Holdings 4% non-deductibility; Industrial Holdings deduction of the net interests up to 30% of the Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA).

Transfer pricing rules

Yes, transactions between Italian entities and related non-resident parties must be on an arm's length basis.

Controlled foreign company regime?

Yes, on a country basis (tax havens and preferential tax regime) and transaction basis (other countries with reference to passive income representing at least 50% of the income generated and effective tax rate lower than 50% of the one which would be applicable in Italy).

Local tax on disposal of shares by foreign shareholder?

Yes, a 26% capital gain tax applies in case of non-qualified participations; 49.72% of capital gains on qualified participation are taxed at progressive rates (ranging from 23% to 43%). Exemption generally applies under tax treaties.

Withholding tax on dividends?

Yes, 26% but reduced to 0% under the EU parent subsidiary directive (1.375% if paid to companies resident in the European Economic Area for which EU parent subsidiary directive is not applicable). Withholding tax may also be reduced or cancelled under double tax treaties.

Withholding tax on interest?

Yes, 26% but the rate may be reduced to 0% under the EU interest and royalties directive. Withholding tax may also be reduced or cancelled under double tax treaties.

Withholding tax on royalties?

Yes, 30% on royalties paid to non-resident companies on 75% of the gross royalty. Reduced to 0% under the EU interest and royalties directive. Withholding tax may also be reduced or cancelled under double tax treaties.

Number of double taxation treaties

92.

Standard VAT rate

22%.

Other incentives?

Notional interest deduction 4% of 'new equity' generated after 2010.

IP holding company

IP regime?

A specific 'Patent Box' regime has been introduced as of FY 2015. Resident taxpayers deriving business income and foreign persons resident in a treaty country, that allows an adequate exchange of information, may opt for a new Patent Box regime if carrying on R&D activities. The election applies, irrevocably, for five years.

Tax rate on IP income

50% of the income deriving from the exploitation or the direct use of a qualifying IP will not be included in the taxable income for corporate income tax and regional tax purposes. The exemption is reduced to 30% for FY 2015 and to 40% for FY 2016.

Capital gains on IP

A capital gain on IP disposal is taxed at the ordinary rates but it can be deferred up to five years if the IP has been previously held for three years. Capital gains arising from the sale of a qualifying IP under the new 'Patent Box' regime, will not be included in the taxable income if at least 90% of the proceeds are reinvested, within the following two tax years, in the maintenance or development of other qualifying IPs.

IP amortisation deduction

Trademarks and goodwill may be depreciated up to one eighteenth each tax year. Patents and other IP may be depreciated in no less than 50% (for CIT and Regional tax purposes).

Other comments

Local currency

Euro.

Income tax rate

Progressive, up to 43% (above 75k) plus local surcharges. An additional surcharge of 3% applies to income exceeding €300,000.

Expatriate regime

There are a few specific concessions for expatriates. Income includes all amounts paid or accrued in a calendar year and paid by 12 January of the following calendar year as salary, wages, commissions, director's fees, bonuses and taxable benefits. Employment income derived by Italian tax residents who work abroad on a continuous basis for more than 183 days is taxed on a conventional reduced taxable basis.

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Japan

Holding company

Corporation tax rate

35.64% (including local taxes for companies based in Tokyo).

Participation exemption on dividends?

Yes. Dividends received are 95% exempt (conditions are +25% holding for more than 6 months).

Participation exemption on capital gains?

No.

Interest deductibility?

Yes.

Transfer pricing rules

Yes. Transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes for countries where the tax rate is 20% or lower. There must be a 50% shareholding to fall within the rules.

Local tax on disposal of shares by foreign shareholder?

Yes. Effective rate of 35.64% for non-resident corporations, 20.42 for non-resident individuals, unless reduced under the relevant treaties.

Withholding tax on dividends?

Yes, 20.42% unless reduced under treaties.

Withholding tax on interest?

Yes, 20.42% on loan interest unless reduced under treaties.

Withholding tax on royalties?

Yes, 20.42% unless reduced under treaties.

Number of double taxation treaties

50+.

Standard VAT rate

8%.

Other incentives?

Other incentives are available for:

- regional headquarters and research and development sites
- renewable energy investment
- new job creation
- investment into certain regions of Japan.

IP holding company

IP regime?

No.

Tax rate on IP income

No special regime. Taxed at usual 35.64% corporate tax rate.

Capital gains on IP

Gains taxed as business income.

IP amortisation deduction

Yes, five years for software.

Other comments

Local currency

Yen.

Income tax rate

Progressive up to 45%.

Expatriate regime

No specific regime, although non-permanent residents (individuals that have lived in Japan for fewer than five of the previous ten years) are not taxed on foreign-source income unless it is paid in or remitted to Japan.

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Kenya

Holding company

Corporation tax rate

30% for Resident Company and Non-resident 37.5%.

Participation exemption on dividends?

Yes. Dividends received by a resident company, other than a dividend received by a company which controls directly or indirectly less than twelve and one-half percent of the voting power of the company paying the dividend, shall be deemed not to be income chargeable to tax.

Participation exemption on capital gains?

No capital gain tax is not taxable in Kenya.

Interest deductibility?

Yes.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes, Kenya has Controlled Foreign Company rules to stop companies from reducing Kenya tax by diverting profits to tax shelters and preferential regimes. Thin capitalisation rules in this case apply for entities which have foreign control.

Local tax on disposal of shares by foreign shareholder?

No, there is no tax on disposal of shares.

Withholding tax on dividends?

Yes, 5% on Resident and 10% on Non-resident.

Withholding tax on interest?

Yes, 15% both on Resident and Non-resident.

Withholding tax on royalties?

Yes, 5% on Resident and 20% on Non-resident.

Number of double taxation treaties

9.

Standard VAT rate

16%

Other incentives?

Capital investment allowances, tax holidays for entities in Export Processing Zones (EPZ).

IP holding company

IP regime?

Yes. Applies to IP such as royalties where withholding tax is applicable at 5% for resident companies and 20% for non-resident companies.

Tax rate on IP income

No special regime. Taxed at usual 30% corporate tax rate.

Capital gains on IP

There is no tax on capital gains.

IP amortisation deduction

Yes.

Other comments

Local currency

KES.

Income tax rate

30%.

Expatriate regime

Individual taxpayers are allowed to claim all expenses directly incurred with their income from employment.

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Korea

Holding company

Corporation tax rate

11% (including resident surtax) on the first KRW 200 million, 22% (including resident surtax) for the tax base between KRW 200 million and 20 billion, and 24.2% (including resident surtax) for the excess.

Participation exemption on dividends?

Not applicable. If a domestic company receives a dividend income from a foreign subsidiary, the domestic company may claim for foreign tax credit and additionally, the company may claim for indirect tax credit under the certain conditions.

Participation exemption on capital gains?

Not applicable. Usually taxed at corporate tax rate.

Interest deductibility?

Yes.

Transfer pricing rules

Yes, transactions between foreign related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes.

Local tax on disposal of shares by foreign shareholder?

Yes, taxed at the lesser of 11% (including resident surtax) of the gross sale proceeds or 22% (including resident surtax) of the capital gains realized, unless reduced under the relevant treaties.

Withholding tax on dividends?

For the dividend payment, 22% (including resident surtax) unless reduced under treaties.

Withholding tax on interest?

For the interest payment, 22% (including resident surtax) unless reduced under treaties.

Withholding tax on royalties?

For the royalty payment, 22% (including resident surtax) unless reduced under treaties.

Number of double taxation treaties

87.

Standard VAT rate

10%/0%.

Other incentives?

No.

IP holding company

IP regime?

Yes. Applies to a variety of IP, with tax deductible amortisation based on the purchase price of IP. The rate depends on the type of IP, but is usually available over five or ten years.

Tax rate on IP income

No special regime. Taxed at usual corporate tax rate.

Capital gains on IP

Capital gain on IP disposal. Taxed at usual corporate tax rate.

IP amortisation deduction

Yes.

Other comments

Local currency

KRW.

Income tax rate

| Taxable income (KRW) | Income tax | Resident surtax | Total tax rate |
|---------------------------|------------|-----------------|----------------|
| Up to 12 million | 6.0% | 0.6% | 6.6% |
| 12 million to 46 million | 15.0% | 1.5% | 16.5% |
| 46 million to 88 million | 24.0% | 2.4% | 26.4% |
| 88 million to 150 million | 35.0% | 3.5% | 38.5% |
| 150 million | 38.0% | 3.8% | 41.8% |

Expatriate regime

Foreign expatriates and employees would be able to apply for a flat income tax rate of 18.7% (including resident surtax) on their salary income until the end of December 2016. In this case, however, any other income deductions, tax exemption, and tax credit would be forfeited.

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Latvia

Holding company

Corporation tax rate

15%.

Participation exemption on dividends?

No, holding regime applicable where dividends are free of tax unless they are paid to individuals of any country or residents of low tax/tax free countries³.

Participation exemption on capital gains?

No.

Interest deductibility?

Yes, subject to thin capitalisation rules.

Transfer pricing rules

Transfer pricing regulations requiring specific documentation have become effective since 1 January 2013. Documentation is required for the companies with a turnover exceeding €1,430,000 and mutual deals with related parties which have reached €14,300.

Controlled foreign company regime?

No.

Local tax on disposal of shares by foreign shareholder?

No, unless real estate comprises of more than 50% of a company's total assets during the year of disposal or in previous year, then a 2% withholding tax applies.

Withholding tax on dividends?

No, unless they are not paid to residents of low tax or tax-free countries³.

Withholding tax on interest?

No, unless they are not paid to residents of low tax or tax-free countries³.

Withholding tax on royalties?

No.

Number of double taxation treaties

57.

Standard VAT rate

21%.

Other incentives?

None.

IP holding company

IP regime?

Yes, applies to a variety of IP including trademarks, design rights and copyright, ie not subject to corporate income tax unless they are not paid to residents of low tax/tax free countries³.

Tax rate on IP income

Payments for copyrights, neighbouring rights and royalties are taxed at the normal corporate tax rate of 15%, with other IP types taxed at a rate of 5%.

Capital gains on IP

Capital gain on IP disposal but can be deferred.

IP amortisation deduction

Yes.

Other comments

Local currency

Euro.

Income tax rate

Flat rate of 24%.

Expatriate regime

There is no special expatriate tax regime and for tax purposes they are treated as residents.

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³ Cabinet Rules (The Cabinet of Ministers of the Republic of Latvia) define a list of countries which are regarded as low tax or tax free countries.

Lithuania

Holding company

Corporation tax rate
15%.

Participation exemption on dividends?

Yes, providing dividends are received from EEA entities or entities established in a country which Lithuania has a double taxation agreement in place and providing there is a minimum 10% shareholding for at least 12 successive months.

Participation exemption on capital gains?

Yes, providing the shares of the company being disposed of is resident in the EEA or in another country which Lithuania has a relevant double taxation agreement with and at least 25% of the shares are held for not less than two years.

Interest deductibility?

Yes, subject to thin capitalisation rules. The maximum permissible related-party debt:equity ratio is 4:1.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes.

Local tax on disposal of shares by foreign shareholder?

No.

Withholding tax on dividends?

No, provided the recipient has held not less than 10% of voting shares for a continuous period of at least 12 successive months with the exception of black listed companies.

Withholding tax on interest?

Yes, 10% but reduced to 0% when paid to an EEA registered entity or reduced in the relevant treaties.

Withholding tax on royalties?

Yes, 10%, unless the recipient is EU entity under certain conditions (set in the Directive 2003/49/EC).

Number of double taxation treaties

50+.

Standard VAT rate

21%.

Other incentives?

No incentives for holding companies. Relief available for investment into fixed assets, R&D and for film-making sponsorship.

IP holding company

IP regime?

No special IP tax regime.

Tax rate on IP income

Taxed at the usual corporate tax rate of 15%. 300% of qualifying R&D costs are deductible in the year they were incurred.

Capital gains on IP

Capital gains on IP disposal.

IP amortisation deduction

Yes, unless the IP is made in-house.

Other comments

Local currency

Euro (from 1 January 2015).

Income tax rate

Flat rate of 15%.

Expatriate regime

Resident individuals are taxed on their worldwide income. Non-residents are subject to Lithuanian tax on income originating in Lithuania. Generally, income or compensations received by an expatriate for both business and private purposes such as cost of living, relocation expenses, settling expenses, schooling allowance are added to the income and taxed accordingly.

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Malaysia

Holding company

Corporation tax rate

25%. However, for a resident company with a paid-up capital of up to RM2.5mil, the rates are as follow:

- 20% (with effect from YA 2016, the rate will be reduced to 19%) on chargeable income up to RM500,000
- 25% (with effect from YA 2016, the rate will be reduced to 24%) on the remaining chargeable income.

Participation exemption on dividends?

No, dividends are single tier and not subject to tax in the hand of shareholders and does not carry any tax credit.

Participation exemption on capital gains?

No.

Interest deductibility?

Yes, subject to transfer pricing and interest restriction.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

No.

Local tax on disposal of shares by foreign shareholder?

No, subject to the shares being deemed as shares in a 'real property company'.

Withholding tax on dividends?

No, dividends are single tier that are not subject to tax in the hand of shareholders and does not carry any tax credit.

Withholding tax on interest?

Yes, 15% which may be reduced under relevant treaties.

Withholding tax on royalties?

Yes, 10% which may be reduced under relevant treaties.

Number of double taxation treaties

75.

Standard VAT rate

Not applicable presently. Goods and Services Tax (GST) will be implemented on 1 April 2015 at the rate of 6%.

Other incentives?

Various incentives are available.

IP holding company

IP regime?

Yes, on limited basis, a deduction of an amount equal to one-fifth of the original cost of acquisition of IP.

Tax rate on IP income

No special regime.

Capital gains on IP

No.

IP amortisation deduction

Yes, limited basis.

Other comments

Local currency

Ringgit Malaysia.

Income tax rate

Progressive individual tax rate up to 26% (YA 2014). With effect from YA 2015 the tax rate will be reduced by 1%, ie. up to 25%.

Expatriate regime

Tax incentive available in the form of lower tax rate for specific circumstances.

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Namibia

Holding company

Corporation tax rate

33%, expected to be reduced to 32% for tax years beginning on or after 1 January 2014.

Participation exemption on dividends?

Dividends received by Namibian residents are tax exempt. Non-residents are subject to a withholding tax between 5%-20%, depending on who the beneficiary is and whether a double tax agreement exists between Namibia and the country of residence of the recipient of the dividend.

Participation exemption on capital gains?

No capital gains tax in Namibia.

Interest deductibility?

Yes, provided it has been expended in the production of income.

Transfer pricing rules

Yes, international transactions between related parties must be on an arm's length basis and thin capitalisation rules exist.

Controlled foreign company regime?

No such concept is known in Namibian tax legislation.

Local tax on disposal of shares by foreign shareholder?

No such concept in Namibia, except under circumstances where shares of a company which owns a mining or exploration licence or a right to mine, are sold – this applies to all shareholders, whether local or foreign.

Withholding tax on dividends?

Yes, where beneficiaries are non-residents of Namibia. Rate varies from 5%-20%, depending on the status of the shareholder and whether a tax treaty exists between Namibia and the country of residency of the recipient of the dividends.

Withholding tax on interest?

Yes, 10% withholding tax on interest received by individuals from Namibian financial institutions.

Withholding tax on royalties?

Yes, where payable to a non-resident. The rate is calculated at 30% of the official tax rate; presently 9.9%. Certain tax treaties limit the rate at which this tax may be levied to 10%.

Number of double taxation treaties

11.

Standard VAT rate

15%.

Other incentives?

Companies with EPZ status pay zero income tax on income derived from all activities conducted in compliance with the relevant regulations. Also significant incentives are available to companies who are registered as manufacturers with the Inland Revenue and all taxpayers who derive income from the export from Namibia of goods manufactured in Namibia. Apart from certain additional deductions allowed to manufacturers, a taxpayer pays tax at 18% for the first ten years of registration as a manufacturer while the taxable income derived from the export of goods manufactured in Namibia is reduced by an allowance of 80%. This incentive is also available to individuals and the exporter need not be the manufacturer of the goods.

IP holding company

IP regime?

No such regime in Namibia.

Tax rate on IP income

No special regime.

Capital gains on IP

See above.

IP amortisation deduction

See above.

Other comments

Local currency

Namibia Dollar, linked 1:1 to the South African Rand.

Income tax rate

Progressive up to 37%.

Expatriate regime

Individual taxpayers are allowed to claim only those expenses directly in connection with their employment for which they receive a specific allowance from their employer and which they are, in terms of a contract of employment, obliged to incur in the exercise of their duties.

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Peru

Holding company

Corporation tax rate

30%.

Participation exemption on dividends?

No.

Participation exemption on capital gains?

No.

Interest deductibility?

Yes.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes, as from 2013.

Local tax on disposal of shares by foreign shareholder?

Yes, 5% or 30% depending on the place to be carried out the transaction (the issuer must be local).

Withholding tax on dividends?

Yes, 4.1% as long as the beneficiary is an individual or a foreign company.

Withholding tax on interest?

Yes, non-residents are subject to 4.99% (or 30% if the loan is performed between related entities).

Withholding tax on royalties?

Yes, payments in favour of non-residents taxpayers.

Number of double taxation treaties

4.

Standard VAT rate

18%.

Other incentives?

Not applicable.

IP holding company

IP regime?

No.

Tax rate on IP income

No special regime. Taxed at usual 30% corporate tax rate.

Capital gains on IP

No special regime.

IP amortisation deduction

Yes.

Other comments

Local currency

Nuevos Soles (S/.)

Income tax rate

Progressive up to 30% for individuals. Fixed rate of 30% for companies.

Expatriate regime

No special regime.

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Poland

Holding company

Corporation tax rate

19%.

Participation exemption on dividends?

Yes, provided:

- there has been a minimum 10% holding for more than 24 months
- dividend is paid to EU, EEA and in Switzerland (in case of Switzerland 25% holding is required).

Participation exemption on capital gains?

No.

Interest deductibility?

Yes, subject to transfer pricing and thin capitalisation rules.

Transfer pricing rules

Yes, transactions between related parties have to be concluded on an arm's length basis.

Controlled foreign company regime?

No.

Local tax on disposal of shares by foreign shareholder?

Generally no. In case of some double tax agreements then a 'real estate clause' is applicable, disposal of shares may be taxable in Poland.

Withholding tax on dividends?

Yes, 19% but may be reduced to:

- the rate provided in relevant double tax treaty
- 0% under EU parent subsidiary directive.

Withholding tax on interest?

Yes, 20% but may be reduced to:

- the rate provided in relevant double tax treaty
- 0% under the EU interest and royalties directive (until 30 June 2013, 0% thereafter) or to the rate provided by relevant double tax agreement.

Withholding tax on royalties?

Yes, 20% but may be reduced to:

- the rate provided in relevant double tax treaty
- 0% under the EU interest and royalties directive (until 30 June 2013, 0% thereafter) or to rate provided by relevant double tax agreement.

Number of double taxation treaties

80+.

Standard VAT rate

23%.

Other incentives?

Special economic zones, tax relief on the acquisition of new technologies.

IP holding company

IP regime?

Yes.

Tax rate on IP income

Applies to most IP excluding knowhow acquired as an in-kind contribution. A tax deduction for amortisation is available on the purchase price of the IP and the minimum period of amortisation is 60 months.

Capital gains on IP

Capital gain on IP disposal is treated as revenue on business activity and taxable with 19% standard rate.

IP amortisation deduction

Yes.

Other comments

Local currency

Polish Zloty.

Income tax rate

Progressive up to 32%.

Expatriate regime

A Polish tax charge arises on employment income derived from duties performed in Poland. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, benefits in kind etc. There is no specific tax exemption for expatriates.

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Portugal

Holding company

Corporation tax rate

17% for taxable profit up to €15,000 obtained by SMEs. 21% for taxable profit exceeding the above amount and all other companies. Up to 1.5% local tax.

Surcharge for taxable profits in excess of:

- between €1.5 million and €7.5 million – 3%
- between €7.5 million and €35 million – 5%
- in excess of €35 million – 7%.

Participation exemption on dividends?

Yes, provided there has been a minimum 5% holding for at least two years.

Participation exemption on capital gains?

Yes.

Interest deductibility?

Yes, subject to limits (higher of €1 million or 30% of EBITDA) plus transfer pricing rules.

Transfer pricing rules

Yes, where transactions are not on an arm's length basis then the tax authority may require adjustments.

Controlled foreign company regime?

Yes, in respect of subsidiaries resident in black listed territories.

Local tax on disposal of shares by foreign shareholder?

No.

Withholding tax on dividends?

Yes, but may be reduced to 0% under EU parent subsidiary directive or to the rate provided by relevant double tax agreement.

Withholding tax on interest?

Yes, but may be reduced to 0% under EU interest and royalties directive or to the rate provided by relevant double tax agreement.

Withholding tax on royalties?

Yes, but may be reduced to 0% under EU interest and royalties directive or to the rate provided by relevant double tax agreement.

Number of double taxation treaties

70+.

Standard VAT rate

23%.

Other incentives?

None.

IP holding company

IP regime?

Yes, applies to most IP excluding knowhow acquired as in-kind contribution. A tax deduction for amortisation is available on the purchase price of the IP over its useful life.

Tax rate on IP income

No special rate, taxed at usual corporate tax rate.

Capital gains on IP

Yes.

IP amortisation deduction

Yes, as long as acquired and with an exclusive use for a limited period of time.

Other comments

Local currency

Euro.

Income tax rate

Progressive up to 48%, plus a surcharge of 3.5% and an additional tax up to 5% for income in excess of €80,000 (maximum total tax can reach 56.5%).

Expatriate regime

As of 2011, there is a beneficial expat regime for individuals that have not been resident in Portugal for the past five years. Under this regime, employment and self-employment income will be taxed at the flat rate of 20%, withheld at source. In addition, expats will not be subject to tax on overseas income, providing that income is subject to tax (even if effectively taxed at 0%) and the income was not earned in a black listed country.

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Qatar

Holding company

Corporation tax rate
10%.

Participation exemption on dividends?

Yes. If dividends received were taken from profits that were subject to tax or distributed by a company the income of which is exempt from tax, otherwise this will be taxed under normal corporation tax rate 10%.

Participation exemption on capital gains?

No, gains are tax under normal corporation tax rate of 10%. However, capital gains on the disposal of real estate and securities derived by natural persons are exempted provided that the real estate and securities disposed of are not part of the assets of a taxable activity.

Interest deductibility?
Yes.

Transfer pricing rules
Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes. Law No. (13) (2000) deals with aspects of foreign investments. The law stipulates that foreign investors may invest in all sectors of the national economy providing that they have one or more Qatari partners whose share shall not be less than 51% of the capital. However, the law permits foreign investors to have 100% of the project's capital, through a ministerial approval, in the sectors of agriculture, industry, health, education, tourism, and the development and exploitation of natural resources, energy or mining, provided it is in conformity with the country's overall development plans. The law also allows for certain tax exceptions and benefits.

Local tax on disposal of shares by foreign shareholder?
Yes, 10%, unless reduced under the relevant treaties.

Withholding tax on dividends?
No.

Withholding tax on interest?
Yes, 7% on the gross amount (subject to the provisions of tax agreements). Payments made to non-residents with respect to activities not connected with permanent establishment in Qatar shall be subject to final withholding tax.

Withholding tax on royalties?
Yes, 5% on the gross amount (subject to the provisions of tax agreements). Payments made to non-residents with respect to activities not connected with permanent establishment in Qatar shall be subject to final withholding tax.

Number of double taxation treaties
58.

Standard VAT rate
No VAT levied in Qatar.

Other incentives?
Custom duties are applied to goods with an origin outside the Gulf Cooperation Council (GCC) countries.

IP holding company

IP regime?
Yes, applies to a variety of IP, with tax deductible amortisation based on the purchase price of IP. The rate depends on the type of IP, but is broadly available over ten years.

Tax rate on IP income
No special regime. Taxed at usual 10% corporate tax rate.

Capital gains on IP
Capital gain on IP disposal but cannot be deferred.

IP amortisation deduction
Yes.

Other comments

Local currency
Qatar Riyals (QR).

Income tax rate
There is a flat rate of corporate income tax, 10% on taxable profits. For oil operations the tax rate is at 35%.

Expatriate regime
There are no taxes imposed on employed individuals salaries, wages and allowances in Qatar.

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Russia

Holding company

Corporation tax rate
20%.

Participation exemption on dividends?

Yes, provided that there is a minimum 50% holding for at least one year and the entity is not resident in a tax haven.

Participation exemption on capital gains?

Yes, provided that the shares were purchased after 1 January 2011 and are held for more than five years.

Interest deductibility?

Yes, subject to transfer pricing and thin capitalisation rules.

Transfer pricing rules

Yes, controlled transactions exceeding certain thresholds should be declared. Documentation justifying prices applied should be available upon request from the tax authorities. If prices are proved not to be at arm-length as a result of a tax audit, assessment can be made and fines can be charged.

Controlled foreign company regime?

Yes, foreign companies and non-corporate structures (including trusts, partnerships etc) are considered a CFC if the Russian tax resident (individual or legal entity) has a direct or indirect interest in them (for individuals – jointly with spouses and minor children) over 25% (50% for 2015 as a transition period), or over 10% if total participatory interest of all Russian tax residents in the CFC is over 50% (from 2016).

Local tax on disposal of shares by foreign shareholder?

Yes, 20% where more than half the assets of the Russian company consist of real estate situated in Russia.

Withholding tax on dividends?

15%, may be reduced under treaties.

Withholding tax on interest?

20%, may be reduced under treaties.

Withholding tax on royalties?

20%, may be reduced under treaties.

Number of double taxation treaties

75+.

Standard VAT rate

18%.

Other incentives?

None.

IP holding company

IP regime?

Yes, applies to various types of IP (excludes goodwill and customer relationships held for over 12 months). Amortisation is available on the actual cost of the IP, and is amortised over the useful life of the IP.

Tax rate on IP income

No special rate. Taxed at the usual corporation tax rate of 20%.

Capital gains on IP

Capital gain on IP disposal.

IP amortisation deduction

Yes.

Other comments

Local currency

Russian Rouble (RUR).

Income tax rate

Flat rate of 13% for Russian residents, 30% for non-residents on Russian source income. Foreign highly qualified specialists (annual salary of more than RUR 2m) are subject to 13% rate.

Expatriate regime

All forms of remuneration received in respect of the performance of employment duties are treated as employment income. Where income has been subject to tax in Russia and also a foreign jurisdiction, relief can be granted by the Russian tax authorities where provided for in the relevant double taxation agreement.

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Slovak Republic

Holding company

Corporation tax rate

22%.

Participation exemption on dividends?

Dividends are generally not subject to tax in Slovakia.

Participation exemption on capital gains?

No.

Interest deductibility?

Yes.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

No.

Local tax on disposal of shares by foreign shareholder?

Yes, 22% corporate income tax on disposal of shares:

- held by EU tax residents in the Slovak company if the income is paid by Slovak tax residents; respective articles of double tax agreements must be checked to determine if Slovakia has the right for taxation
- held by non-EU tax residents in the Slovak company; respective articles of double tax agreements must be checked to determine if Slovakia has the right for taxation
- of real estate holding companies, where real estate property comprises value of more than 50% of total assets; respective articles of double tax agreements must be checked to determine if Slovakia has the right for taxation.

Withholding tax on dividends?

No.

Withholding tax on interest?

Yes, 19% (limited by double taxation agreements). 35% for tax residents of non-treaty countries since 1 March 2014.

Withholding tax on royalties?

Yes, 19% (limited by double taxation agreements). 35% for tax residents of non-treaty countries since 1 March 2014.

Number of double taxation treaties

65.

Standard VAT rate

20%.

Other incentives?

None.

Thin capitalisation rules

According to the amendment of the Act on income taxes, thin capitalisation rules will be introduced with effect from 1 January 2015.

The amount of expenses on interest paid to related parties in excess of 25% of the profit before taxation, increased by total interest expenses and depreciation of non-current intangible and tangible assets for the respective tax period, is not tax deductible.

IP holding company

IP regime?

No special IP tax regime.

Tax rate on IP income

No special regime. Taxed at usual 22% corporate tax rate.

Capital gains on IP

No special regime. Taxed at usual 22% corporate tax rate.

IP amortisation deduction

Yes. Tax deductible amortisation in accordance with the accounting regulations based on the expected period of use and future economic benefits.

Other comments

Local currency

Euro.

Income tax rate

19% up to the annual tax base of €35,022.32 (for the year 2014 as well as 2015) and 25% from the tax base exceeding this amount.

Expatriate regime

No special tax regime for expatriates. There are the same tax allowances as for the tax residents unless a spouse tax allowance and a tax bonus for children are applicable and only in cases where at least 90% of the worldwide income is sourced from Slovakia.

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South Africa

Holding company

Corporation tax rate
28%.

Participation exemption on dividends?

Yes, for local dividends. For foreign dividends the shareholder needs to own at least 10% of the equity shares and voting rights.

Participation exemption on capital gains?

Generally no, but possible participation exemption on the disposal of foreign shares.

Interest deductibility?

Yes, provided the interest is incurred in the production of income. If the interest is due to the funding of the acquisition of shares, certain requirements need to be met.

Transfer pricing rules
Yes.

Controlled foreign company regime?
Yes.

Local tax on disposal of shares by foreign shareholder?

Yes, where the foreign shareholder owns 20% of the company and 80% of the underlying value of the company is due to immovable property in South Africa. Securities transfer tax is also levied on the transfer of securities (including shares) at a rate of 0.25%.

Withholding tax on dividends?

Yes, dividends paid to individuals, trusts and foreign persons are subject to a 15% withholding tax. This rate may be reduced by a double taxation agreement. No dividend withholding tax on dividends from one South African company to another South African company.

Withholding tax on interest?

Not currently. As of 1 January 2015, withholding tax on interest calculated at the rate of 15% of the amount of interest paid to any foreign person. This rate may be reduced by a double taxation agreement.

Withholding tax on royalties?

Yes, the withholding tax on royalties paid to a non-resident will be levied at 12%. This rate will increase to 15% on 1 January 2015 and may be reduced by a double taxation agreement.

Number of double taxation treaties
Approximately 80.

Standard VAT rate
14%.

Other incentives?

Some incentives include a research and development deduction, preferential tax rates for small business corporations, an environmental expenditure deduction, oil and gas income tax incentives and capital incentive allowances.

IP holding company

IP regime?

No specific IP regime. However a deduction of up to 150% of the expenditure incurred in respect of scientific and technological research and development is allowed provided certain conditions are met.

Tax rate on IP income
No special regime. Taxed at normal 28% corporate tax rate.

Capital gains on IP
Yes.

IP amortisation deduction
No.

Other comments

Local currency
South African Rand.

Income tax rate
Progressive up to 40% for individuals.

Expatriate regime
No.

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Sweden

Holding company

Corporation tax rate

22%.

Participation exemption on dividends?

Yes.

Participation exemption on capital gains?

Yes.

Interest deductibility?

Yes, subject to transfer pricing regime. Certain limitations may apply to intergroup loans.

Transfer pricing rules

Yes, transactions must be on an arm's length basis.

Controlled foreign company regime?

Yes, rules apply where the foreign entity is deemed to be subject to an effective tax rate of less than 12.1%, exemptions apply.

Local tax on disposal of shares by foreign shareholder?

No.

Withholding tax on dividends?

30%, may be reduced to 0% under domestic rules, EU parent subsidiary directive and under treaties.

Withholding tax on interest?

No.

Number of double taxation treaties

80+.

Standard VAT rate

25%.

IP holding company

IP regime?

Yes, applies to all IP. A tax deduction for amortisation is available on the historic (acquisition) value of the IP, and the maximum annual rate of deduction is 30%.

Tax rate on IP income

No special rate of tax. Taxed at the usual corporation tax rate of 22%.

Other comments

Local currency

Swedish Krona.

Income tax rate

Progressive, up to 57%.

Expatriate regime

Generally all earnings are taxed as income from employment provided the income is not considered business income or income from capital. All earnings from an employer to an employee are taxable as income from employment, ie wages, fees, sickness allowances, severance pay as well as benefits in kind. Under certain conditions, foreign employees working in Sweden for a limited period may qualify for a reduction of the income tax liability on their earnings. The reduction amounts to 25% of taxable income, ie 75% of the income is taxed at ordinary rates and is applicable for only the first three years as long as the employer/employee applies for a ruling within three months of the work started in Sweden. Please note that the employer has to be Swedish, ie an entity incorporated under Swedish law or a foreign entity with a permanent establishment for Corporate Income Tax (CIT) purposes in Sweden. The employee may not have been tax resident in Sweden during the five years preceding the stay. The intended stay in Sweden may not exceed five years.

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Taiwan

Holding company

Corporation tax rate

17%.

Participation exemption on dividends?

Yes, dividends received are tax exempt.

Participation exemption on capital gains?

No, however capital gains on land sold is income tax exempt.

Interest deductibility?

Yes.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

No.

Local tax on disposal of shares by foreign shareholder?

Yes, 15% capital gains tax for none residents. If the holding period of securities prior to disposition exceeds one year, only half of net capital gains is taxed.

Withholding tax on dividends?

Yes, 20% and also may be reduced under treaties.

Withholding tax on interest?

Yes, 20% and also may be reduced under treaties.

Withholding tax on royalties?

Yes, 20% and also may be reduced under treaties.

Number of double taxation treaties

25.

Standard VAT rate

5%.

IP holding company

IP regime?

No special regime.

Tax rate on IP income

No special regime. Taxed at usual 17% corporate tax rate.

Capital gains on IP

Capital gain on IP disposal is taxable.

IP amortisation deduction

Yes.

Other comments

Local currency

New Taiwan Dollars.

Income tax rate

Progressive up to 40% (effective from 1 January 2015, progressive up to 45%)

Expatriate regime

Qualified foreign professionals working in Taiwan can enjoy certain tax free fringe benefits.

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Turkey

Holding company

Corporation tax rate

20%.

Participation exemption on dividends?

Yes, dividends received are 100% exempt and there is no minimum participation or holding period. Dividends paid by resident investment partnerships and investment funds are not subject to the exemption and are taxed at 15%.

Participation exemption on capital gains?

Yes, gains are 75% exempt providing that the shares have been held for at least two years.

Interest deductibility?

Yes, subject to transfer pricing regime. Interest paid on equity capital or hidden equity capital is non-deductible.

Transfer pricing rules

Yes, transactions must be on an arm's length basis.

Controlled foreign company regime?

No.

Local tax on disposal of shares by foreign shareholder?

No, unless the shares are sold for more than market value. If the shares have not been held for at least two years, the sale is also subject to VAT.

Withholding tax on dividends?

Yes, 15% may be reduced under relevant treaties.

Withholding tax on interest?

Yes, only on loans from a foreign company; no withholding tax on interest paid to bank.

Withholding tax on royalties?

Yes, 20%.

Number of double taxation treaties

75+.

Standard VAT rate

18%.

Other incentives?

Reduced corporation tax and income tax for investments under specified investment incentive regulations.

IP holding company

IP regime?

Yes, applies to all IP. Where the IP owner is a natural person, the owner is not subject to income tax on the IP income, although 20% tax needs to be withheld from the payment from the corporate using the natural person's IP.

Tax rate on IP income

0% if the IP regime applies as set out above, otherwise the normal rate of corporation tax which is 20%.

IP amortisation deduction

Yes.

Other comments

Local currency

Turkish Lira.

Income tax rate

Progressive up to 35%.

Expatriate regime

No special expat regime.

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Uganda

Holding company

Corporation tax rate

30% on taxable income.

Participation exemption on dividends?

Yes, dividends paid to resident company holding more than 25% of shares in another resident company are 100% exempt.

Participation exemption on capital gains?

Capital gains are taxed as business income. The amount of gain is added to business income if the gain is from the disposal of a business asset.

Interest deductibility?

Yes.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

Yes.

Local tax on disposal of shares by foreign shareholder?

Yes. 30% although the method for the collection of the tax is not provided in the tax laws.

Withholding tax on dividends?

Yes, 15% where no DTA exists.

Withholding tax on interest?

Yes, 15% where no DTA exists.

Withholding tax on royalties?

Yes, 15% where no DTA exists.

Number of double taxation treaties

9.

Standard VAT rate

18%.

Other incentives?

Duty free importation of new plant and machineries, tax exemption on income from agro processing, exportation of finished goods manufactured in Uganda and accelerated capital deductions.

IP holding company

IP regime?

Yes, amortisation granted on useful life of the intangible asset. A payment for IP to a non-resident generally attracts withholding tax at 15%.

Tax rate on IP income

No special regime. Taxed at 30% corporate tax rate.

Capital gains on IP

Capital gain on disposal of IP if it is a business asset.

IP amortisation deduction

Yes, based on useful life.

Other comments

Local currency

Shilling.

Income tax rate

Progressive, for individuals up to 40% and 30% for companies.

Expatriate regime

Expatriates who are employed or exercise their employment in Uganda are liable to tax in Uganda depending on whether they are resident or non-resident.

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Vietnam

Holding company

Corporation tax rate

22%.

Participation exemption on dividends?

No.

Participation exemption on capital gains?

No, gains are taxable at the standard rate unless the gain is from disposal of securities by a foreign party without a permanent establishment in Vietnam.

Interest deductibility?

Yes.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

No.

Local tax on disposal of shares by foreign shareholder?

Yes, capital gains taxes apply equally to foreign and domestic shareholders. Disposal of offshore holding companies may be exempt in some cases.

Withholding tax on dividends?

Yes, 5% for individuals. 0% for corporate entities.

Withholding tax on interest?

Yes, 5% unless otherwise specified within an applicable treaty.

Withholding tax on royalties?

Yes, 10% unless otherwise specified within an applicable treaty.

Number of double taxation treaties

67.

Standard VAT rate

10%.

Other incentives?

Reduced corporate rate and tax holidays may be available.

IP holding company

IP regime?

No special regime.

Tax rate on IP income

No special regime, generally taxed at usual corporate tax rate. However, may be eligible for incentive tax rates.

Capital gains on IP

Capital gain on IP disposal as with other assets.

IP amortisation deduction

Yes, maximum 20 year period.

Other comments

Local currency

Vietnamese Dong (VND).

Income tax rate

Progressive up to 35%.

Expatriate regime

Personal income tax is applied based on the residency of the individual, and the nature and source of the income. Resident taxpayers are taxed at progressive rates on their worldwide income but eligible to certain deductions and allowances. Non-residents are taxed on flat rates and only on Vietnam-sourced income but generally not eligible to any deductions or allowances. Differing tax rates are applicable to non-employment income.

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Zimbabwe

Holding company

Corporation tax rate

25% plus 3% aids levy that is charged on the tax giving an effective rate of 25.75%.

Participation exemption on dividends?

Dividends paid to a local company are exempt from tax. A payment to any other shareholder is taxable.

Participation exemption on capital gains?

Only capital gains earned by persons over 55 years of age are exempt from capital gains tax. Otherwise all other gains are taxable.

Interest deductibility?

Interest expense is allowed as a deduction subject to thin capitalisation rules.

Transfer pricing rules

Yes, transactions between related parties must be on an arm's length basis.

Controlled foreign company regime?

There are no separate tax rules for foreign controlled companies.

Local tax on disposal of shares by foreign shareholder?

Yes, there is a 20% capital gains tax on disposal of shares for unlisted shares and 1% for listed shares.

Withholding tax on dividends?

Yes, 15% for all unlisted shares and 1% for listed shares. This may also be reduced under treaties.

Withholding tax on interest?

There is no withholding tax on interest earned by non-residents, while residents are subject to a withholding tax on interest at the rate of 15%.

Withholding tax on royalties?

Yes, 15%.

Number of double taxation treaties

20.

Standard VAT rate

15%.

Other incentives?

Lower corporate rate for mining companies with special grants.

IP holding company

IP regime?

No special IP regime. Taxed like any other.

Tax rate on IP income

No special regime. Taxed at usual 25% plus 3% aids levy corporate tax rate.

Capital gains on IP

Capital gain on IP disposal.

IP amortisation deduction

No.

Other comments

Local currency

Multi-currency but mostly the US Dollar.

Income tax rate

Progressive up to 50%.

Expatriate regime

Individual taxpayers are taxed in the same manner as local taxpayers for income earned while working in Zimbabwe. The Zimbabwean income tax law does not provide for special deductions on expatriates.

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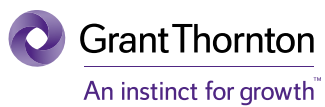
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