



# GUIDE TO GOING GLOBAL TAX

2015





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# INTRODUCTION

Welcome to the inaugural edition of DLA Piper's *Guide to Going Global – Tax*.

## GUIDE TO GOING GLOBAL SERIES

Many companies today aim to scale their businesses globally and into multiple countries simultaneously. In order to help clients meet this challenge, we have created a handy set of global guides that cover the basics companies need to know. The *Guide to Going Global* series reviews business-relevant corporate, employment, intellectual property and technology, and tax laws in key jurisdictions around the world.

## TAX

Multinational companies continue to expand globally at an ever faster pace. Successful expansion depends, in part, on strategic and effective tax planning and compliance. This guide, brought to you by DLA Piper's Tax group, summarizes the key features of tax laws in over 20 popular jurisdictions.

This guide addresses common tax questions, by jurisdiction, including:

- Taxation of resident companies and nonresident companies
- Availability of tax holidays, rulings, and favorable tax regimes
- Ability to use losses to offset income
- Anti-deferral (i.e., CFC) rules
- Withholding taxes
- Employment tax issues

With more than 300 tax lawyers and economists in offices throughout the Americas, Europe and Asia Pacific, DLA Piper's global tax advisory services help multinational companies address the complex challenges of international commerce and business operations as well as manage and resolve tax audits. Our global tax group also assists clients in structuring a wide range of transactions, from private equity deals to corporate acquisitions and disposals. We provide these tax services across our global platform, while at the same time offering clients the benefits of the attorney-client and work-product privileges.

The information in this guide is an accessible, high-level summary of the tax laws in each jurisdiction. This is not a substitute for legal or tax advice. If you have specific questions or require detailed advice, we encourage you to contact one of the attorneys listed in the contributors section of this guide.

We hope that you find this guide valuable and we welcome your feedback.

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This is a general reference document and should not be relied upon as legal advice. The application and effect of any law or regulation upon a particular situation can vary depending upon the specific facts and circumstances, and so you should consult with a lawyer regarding the impact of any of these regimes in any particular instance.

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# AUSTRALIA

### RESIDENCE AND BASIS FOR TAXATION

A resident company is a company that is incorporated in Australia. It also includes a company that carries on its business in Australia and either its central management control is in Australia or its voting power is controlled by shareholders resident in Australia.

#### DOMESTIC

A resident company is subject to income tax on all its income and capital gain from sources anywhere in the world.

#### FOREIGN

A non-resident company is generally taxed only on income and capital gain from Australian sources. A network of Double Taxation Agreements (“DTA”) operates to modify these rules including reducing the rate of withholding taxes.

### TAXABLE INCOME

#### DOMESTIC

Taxable income of a resident company is equal to assessable income less allowable deductions.

#### FOREIGN

Taxable income equals Australian-sourced income less allowable deductions incurred in respect of that income. Residents of countries that have a DTA with Australia are only subject to taxes on business profits in Australia if they conduct business in Australia through a permanent establishment. There is no branch profits tax in Australia.

### TAX RATES

Both resident companies and non-resident companies (with Australian-sourced income) are subject to income tax at the company tax rate of 30 percent.

### TAX COMPLIANCE

Federal income tax returns must be lodged annually. The Australian tax year, or year of income, ends on June 30. A Substituted Accounting Period may be adopted as the income tax year with the written approval of the Commissioner.

### ALTERNATIVE MINIMUM TAX

N/A.



### TAX HOLIDAYS, RULINGS AND INCENTIVES

#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

The Australian Taxation Office and the different State Revenue Offices issue public rulings, determinations, interpretative decisions and practice statements that set out their views on the operation of the relevant federal or state law.

In addition, a taxpayer can seek certainty in respect of their tax affairs by applying for a private ruling. A private ruling is legally binding on the Commissioner.

#### TAX INCENTIVES

There are tax incentives for specific activities, including R&D and deductions for certain mining and primary production industries. In addition, lower withholding tax rates (15 percent) are available for distributions to certain non-residents from eligible Managed Investment Trusts.

### CONSOLIDATION

For income tax purposes, a head company of a wholly owned group of Australian resident entities can elect to consolidate with its wholly owned Australian subsidiaries and form a consolidated group. For a consolidated group, most intra-group transactions are ignored for income tax purposes.

### PARTICIPATION EXEMPTION

A Capital Gain Tax (CGT) exemption is available for the sale of an active foreign business by an Australian resident entity. Dividends received by companies that have a 10 percent or more equity interest in the subsidiary are generally exempt from further Australian tax. However, this needs to be addressed on a case by case basis.

### CAPITAL GAIN

CGT forms part of the income tax regime. CGT applies to net capital gain relating to assets and notional assets acquired after September 19, 1985, and capital loss where sale proceeds are less than the actual unindexed cost. These losses may only be offset against current or future capital gain. Capital gain is calculated on the proceeds from the disposal of the asset less its cost base and any incidental costs associated with its purchase and disposal. The taxable part of the gain is treated as assessable income. Some assets are exempt from CGT, and certain concessions are available for eligible Australian entities.

### DISTRIBUTIONS

Distributions by corporations (i.e., dividends) are taxable for shareholders. Australian resident shareholders may be entitled to a tax credit for corporate tax paid by the company. Dividends to foreign residents are *prima facie* subject to withholding tax at 30 percent, which may be reduced under a tax treaty. Also, certain exemptions are available in domestic tax law (e.g., for dividends paid out of taxed profits).



### LOSS UTILIZATION

Company tax losses can be carried forward indefinitely, subject to satisfying certain loss utilization tests.

### TAX-FREE REORGANIZATIONS

Tax-free reorganization provisions include CGT exemptions, exemptions for intra-group transactions in a consolidated group and a stamp duty exemption for corporate reconstructions.

### ANTI-DEFERRAL RULES

Under the controlled foreign corporation (CFC) rules, a domestic corporation may be subject to tax on a current basis on “attributable income” of a foreign subsidiary.

### FOREIGN TAX CREDITS

Where foreign sourced income is included in a taxpayer’s assessable income, foreign income tax offsets are available at the lesser of the foreign tax paid or the Australian tax payable.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Foreign residents are generally exempt from Australian CGT except where the relevant asset is a direct or indirect interest in Australian real property (including through an interposed entity).

### TRANSFER PRICING

“Arm’s-length” principles are applied to transactions between related parties under an international agreement. Australian rules are similar in many respects to the OECD guidelines, with certain material differences.

### WITHHOLDING TAX

Generally, a 30 percent withholding tax rate applies to dividends (unless an exemption is available under domestic law) and royalties and 10 percent for interest, which may be reduced under a tax treaty.

### MANAGED INVESTMENT TRUST (MIT)

Certain distributions made by an Australian MIT to foreign resident investors in the MIT are subject to a concessional rate of withholding tax. If the investor is in a jurisdiction with which Australia has an effective Exchange of Information (EOI) agreement, the rate of withholding is 15 percent.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

No capital duty. Stamp duties and transfer taxes may be imposed at the State and Territory level on transfers of assets and other “dutiable transactions.”



### EMPLOYMENT TAXES

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Employers must withhold federal income tax from wages paid to employees. Employers also must pay Fringe Benefits Tax and Payroll Tax where applicable.

### SUPERANNUATION

Employers must make superannuation contributions to their employees' nominated super fund.

### WORKERS' COMPENSATION

Employers are required to take out insurance with an approved insurer covering the employer's full liability for workers' compensation as well as damages.

### GOODS AND SERVICES TAX (GST)

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GST is a form of value added tax (VAT). It applies at a rate of 10 percent to taxable supplies of goods, services and other things that are connected with Australia.



# AUSTRIA

### RESIDENCE AND BASIS FOR TAXATION

An entity is treated as a domestic entity for corporate income tax purposes if its registered seat or the effective place of management is located in Austria.

#### DOMESTIC

Global income of a domestic entity generally is subject to Austrian taxation.

#### FOREIGN

Only certain income of legal entities which are neither seated in Austria nor have their effective place of management in Austria is subject to corporate income tax in Austria. Such income would be treated as connected with Austria under the applicable rules.

### TAXABLE INCOME

The annual financial statements prepared in accordance with commercial law are the basis for determining the taxable income. Valuation methods may be used for both assessment pursuant to commercial law as well as for tax purposes unless tax laws provide otherwise. Adjustment of profit or loss shown in the financial statements is to be made in order to level out any difference resulting from applying tax law or commercial law. Depreciation for tax purposes is generally in line with depreciation in financial statements. If depreciation stated in the financial statement exceeds the amount admissible under tax law, the provisions of tax law prevail, resulting in a difference between taxable income and the annual result. Goodwill acquired in the course of a takeover (asset deal) may be amortized over a period of 15 years. Buildings may be depreciated. The depreciation rate ranges between 3 percent (e.g., a factory) and 2 percent (e.g., residential buildings) on a straight-line basis.

### TAX RATES

Austrian corporation's profits are taxed at the company level at a flat rate of 25 percent corporate income tax (*Körperschaftsteuer*). Payments where the recipient is not disclosed (*Empfängerbenennung*) may attract a 25 percent surcharge.

### TAX COMPLIANCE

The Austrian tax laws stipulate a number of tax compliance provisions, including an obligation to keep books and records, an obligation to make tax returns and notification duties.

### ALTERNATIVE MINIMUM TAX

Corporations are subject to a minimum corporate income tax of 5 percent of the statutory minimum capital. Special provisions apply for banks and insurance companies.



### TAX RULING

Since January 1, 2011, an Advanced Ruling is available. A complete disclosure is required. A notification is only issued subject to the condition that the applicable legal facts on which the tax authorities' assessment is based do not change. A request for an Advanced Ruling may only be filed with the financial authority which is competent locally with regard to the subject matter for the relevant facts. With respect to content, such Advanced Ruling is limited to the areas of restructuring (*Umgründungen*), transfer prices and group taxation (*Gruppenbesteuerung*). An Advanced Ruling is subject to an administrative fee (*Verwaltungskostenbeitrag*) whereby amounts from €1,500.00 up to a maximum of €20,000.00 can be charged, depending on the requesting company's turnover.

### CONSOLIDATION

In 2005, a new system of group taxation (*Gruppenbesteuerung*) was introduced. The system of group taxation allows allocating profit or loss of members of such tax group to the holding company, which is the only taxpayer for the whole group with respect to corporate income tax. The only requirement for becoming a group member of a tax group is a direct or indirect major shareholding in a corporation. Furthermore, the group members must apply for group taxation with the competent tax authorities. A tax group must be in existence for a period of at least three years. If a group member withdraws from the group before this period has elapsed, such group member's tax will be assessed as if it never had been a group member.

### PARTICIPATION EXEMPTION

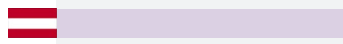
Austrian dividends distributed to a resident company are exempt from corporate income tax under the national participation exemption rules (*Beteiligungsertragsbefreiung*). Foreign dividends distributed to a resident company are also exempt from corporate income tax. However, there are special provisions that differ between companies that are resident in an EU member state, in a state Austria signed an extensive assistance agreement with or companies that are resident in a third country.

### CAPITAL GAIN

Capital gain resulting from the sale of a shareholding in a resident company are subject to corporate income tax. Capital gain resulting from the sale of a shareholding in a foreign company are in principle exempt from corporate income tax. However, there are detailed special provisions that apply.

### DISTRIBUTIONS

Dividends paid to an individual are subject to 25 percent capital gain tax (*Kapitalertragsteuer*). Austria's double tax treaties usually provide for a reduced withholding tax rate. Although companies are obliged to withhold the full rate according to most of the tax treaties and the recipient of a dividend is to apply for refund of the withheld tax at the competent local tax authority, unilateral relief is usually possible if the foreign recipient of a dividend presents a



certificate of residence. Austrian dividends paid to resident individuals are not subject to further income tax if 25 percent capital gain tax has already been withheld at source. Such withholding tax is therefore a final taxation (*Endbesteuerung*) of a shareholder who is an individual.

Dividends distributed to foreign corporations are also subject to 25 percent capital gain tax. The unilateral relief provided for in several double tax treaties mentioned above may only be applied for if such foreign corporation confirms in addition that its activities exceed those of a mere holding company, that staff is being employed and business premises are used. Austria implemented the EU Parent-Subsidiary Directive, which provides for an exemption from withholding taxes of dividends distributed to an EU parent company provided that the following conditions are met:

- (i) the shareholder is a corporation resident in another EU member state; and
- (ii) the shareholder has held at least a 10 percent interest for one year.

### LOSS UTILIZATION

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Tax losses (resulting from operating revenues) may be carried forward for an indefinite period of time and may be offset against both trading income and capital gain. However, only 75 percent of current income may be offset against tax losses brought forward; thus 25 percent of current income is invariably subject to tax. Excess tax losses can still be carried forward. Loss carry backs are not permitted.

### TAX-FREE REORGANIZATIONS

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According to the provisions of the Austrian Reorganisation Tax Act (*Umgründungssteuergesetz*), reorganizations of partnerships and corporations may be carried out tax-neutrally under certain conditions. In the case of cross-border reorganizations, it is especially essential that a possibly existing right to tax of the Republic of Austria continues to exist.

### FOREIGN TAX CREDITS

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Austria has signed 100 double taxation treaties with other countries to avoid double taxation of income or gains arising in one territory and paid to residents of another territory. These treaties either grant a credit against Austrian tax for foreign taxes paid on the same income or exempt foreign-source income.

### TRANSFER PRICING

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Austrian tax legislation does not include specific transfer pricing rules. However, the general “arm’s-length” principle prevails, and Austria has adopted the OE-CD Transfer Price Report. The Ministry of Finance has issued Transfer Pricing Guidelines (*Verrechnungspreisrichtlinien 2010*) that provide detailed guidance. Transfer pricing documentation according to the EU code of conduct (EU Transfer Pricing Documentation 2006) with a master file and country files is not mandatory, but it is recommended.



### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Austria imposes a 1 percent capital transfer tax (*Gesellschaftsteuer*) on shareholder contributions to certain Austrian companies yet. As from 1 January 2016 capital transfer tax will be entirely abolished. Austria levies stamp duty on certain legally predefined transactions for which a written contract has been established. Stamp duty has to be paid if at least one Austrian party is involved or, even if a contract is concluded between non-Austrian parties only, if the subject of the contract relates to Austria. Stamp duties are due on certain transactions (e.g., on the assignment of receivables and on rental agreement). The transfer of real estate leads to real estate transfer tax of 3.50 percent (2 percent if the parties involved are family members or relatives).

### EMPLOYMENT TAXES

Austrian wage tax is a withholding tax which has to be paid by the employer but is also partly borne by the employee. Along with this wage tax, the employer also has to pay social insurance contributions and other taxes.



# BRAZIL

### RESIDENCE AND BASIS FOR TAXATION

A legal entity formed in Brazil will be treated as a domestic legal entity.

#### DOMESTIC

A domestic legal entity is subject to Brazilian tax on its worldwide income.

#### FOREIGN

Foreign legal entities are not subject to Brazilian corporate income taxes except when activities are carried out in Brazil through a permanent establishment.

### TAXABLE INCOME

#### DOMESTIC

Taxable income of a domestic legal entity is equal to all gross income less allowed deductions. Some entities may elect a differentiated regime in which the taxable profit is deemed to be a percentage of the gross revenues.

### TAX RATES

#### DOMESTIC

Domestic legal entities are subject to an overall 34 percent income tax rate applied on actual or deemed profit. Gross revenues taxes may be levied at either a flat 3.65 percent rate or at 9.25 percent rate in a system where certain acquisitions generate credits to be offset. In addition, certain federal, state or city VAT may apply depending on the nature of the activities performed.

### TAX COMPLIANCE

Legal entities must file tax returns at federal, state and local levels depending on their activities. Some of these returns are monthly obligations.

### ALTERNATIVE MINIMUM TAX

Brazilian legislation does not provide for alternative minimum tax.

### TAX RULINGS AND INCENTIVES

#### TAX RULINGS

On certain issues, taxpayers can request a private letter ruling that applies only to the specific issue.

#### TAX INCENTIVES

Brazil provides for different types of tax incentives at the federal, state and local levels, which target the development of specific regions of the country or at specific activities.



### CONSOLIDATION

Brazilian tax legislation does not provide for consolidation.

### PARTICIPATION EXEMPTION

Brazilian legislation does not provide for participation exemption. As a general rule, dividends received from other domestic legal entities are exempt.

### CAPITAL GAIN

Capital gain recognized by a legal entity is taxed at the same rate as ordinary income. Non-operating losses are deductible. However, non-operating losses accrued in previous years can only be offset in future years with profits of the same nature.

### DISTRIBUTIONS

Distributions paid by a Brazilian legal entity to shareholders are treated as tax-free dividends, regardless of where the shareholder is domiciled.

### LOSS UTILIZATION

Net operating losses can be carried forward indefinitely, but their use is limited to 30 percent of the actual profit being offset in a given period.

### TAX-FREE REORGANIZATIONS

Taxation/deductions with deferrals. The recognition of gains or losses in reorganizations can be deferred.

### ANTI-DEFERRAL RULES

Profits of controlled and affiliated foreign companies are taxable in Brazil every December 31st, regardless of when profits are made available. Losses are not deductible. Optional specific consolidation rules for direct and indirect controlled foreign companies may apply, including relief for foreign losses subject to certain conditions and limitations.

### FOREIGN TAX CREDITS

Subject to conditions and limitations, foreign tax credits are available for foreign income taxes paid.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Brazil provides for a special and optional tax regime for real estate developments.



### TRANSFER PRICING

“Arm’s-length” principles generally are applied under Brazilian law to transactions between a Brazilian party and a foreign related entity or any entity domiciled in a tax haven jurisdiction or subject to a privileged tax regime. Brazilian rules deviate from the OECD guidelines. The legislation provides for specific methods from which the taxpayer may freely choose (no priority, no functional analysis). Apart from the comparables, these methods involve statutory profit margins.

### WITHHOLDING TAX

Dividends paid by a Brazilian legal entity to non-resident shareholders are tax free.

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

Royalties, interests, interests on net equity and rents are subject to 15 percent withholding income tax (25 percent if recipient is domiciled in a tax haven jurisdiction).

#### SERVICE FEES

Service fees may be subject to either 15 percent or 25 percent withholding income tax depending on the nature of the service and domicile of the recipient. An additional city tax may also apply on services payments at rates that vary from 2 percent to 5 percent. These taxes apply even if the services are performed abroad.

Tax treaties may reduce or eliminate withholding income tax, but not the city tax when applicable.

Other taxes may be imposed on the local source of payment depending on the nature of the transaction.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Brazil does not impose capital duty or stamp duty. Transfer taxes may be imposed at the state or local level.

### EMPLOYMENT TAXES

Employers must withhold income tax and social security tax. Employers also must pay their share of social security tax, unemployment tax and other payroll charges in respect of compensation paid to employees. These taxes are deductible by an employer for Brazilian corporate income tax purposes.



### FOREIGN EXCHANGE CONTROL

The purchase and sale of foreign currency in Brazil is subject to governmental control and the inflow and outflow of funds is made via an official exchange market. The exchange market rate is freely negotiated among the authorized banks but is subject to the influence of the Brazilian Central Bank, which often intervenes to control extreme exchange rate fluctuations.

Investments made by foreigners are permitted in the vast majority of economic sectors, but are subject to registration with the Brazilian Central Bank on a declaratory basis.

Failure to obtain the registration of foreign investments will prevent the remittance of dividends and interest abroad, the repatriation of capital and the registration of the reinvestment of profits and may subject the invested company and the foreign investor to administrative fines.

# CANADA



## RESIDENCE AND BASIS FOR TAXATION

A corporation formed in a Canadian jurisdiction is generally treated as a resident corporation for Canadian tax purposes.

### DOMESTIC

A resident corporation is subject to Canadian tax on its worldwide income. A Canadian-resident corporation generally is not subject to Canadian tax on the income of its foreign subsidiaries unless an anti-deferral provision applies (e.g., the foreign accrual property income rules).

### FOREIGN

Non-resident corporations are not generally subject to Canadian income tax except on: (i) income earned from carrying on business in Canada; (ii) income arising on the disposition of taxable Canadian property; and (iii) certain types of cross-border payments subject to non-resident withholding taxes. Income tax treaties can reduce or eliminate these taxes.

## TAXABLE INCOME

### DOMESTIC

Taxable income of a resident corporation is generally equal to all gross income less applicable deductions.

### FOREIGN

Income earned in Canada (including capital gain arising as a result of the disposition of taxable Canadian property) is generally subject to Canadian income tax at general tax rates. Branch profits tax may also apply to income earned in Canada that is repatriated by a non-resident corporation. Income tax treaties can reduce or eliminate these taxes.

## TAX RATES

The federal corporate tax rate for 2015 is 15 percent on general active business income, and the combined federal and provincial corporate tax rates for 2015 range from 25 percent to 31 percent depending on the provinces in which the permanent establishments of a corporate taxpayer are located.

## TAX COMPLIANCE

Corporate income tax returns are generally due no later than six months after the end of each tax year. A corporate income tax return must generally be filed no later than three years after the end of the relevant tax year to receive a tax refund.

### ALTERNATIVE MINIMUM TAX

Corporations (non-resident or resident) are not subject to federal alternative minimum tax in Canada.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

Under certain circumstances, taxpayers can request a private letter ruling that applies to the specific issues addressed therein.

#### TAX INCENTIVES

There are tax incentives for specific activities, including in respect of scientific research and experimental development and certain Canadian production and mining activities.

### CONSOLIDATION

Canada does not allow income tax returns to be filed on a consolidated basis for affiliated or related corporations.

### PARTICIPATION EXEMPTION

There is no general participation exemption for dividends or capital gain recognized on the stock of foreign subsidiaries. If certain ownership requirements are satisfied, a deduction may apply to dividends received from certain domestic and foreign corporations.

### CAPITAL GAIN

One-half of a capital gain earned by a corporation is required to be included in computing the taxable income of the corporation. Capital losses may be applied to reduce capital gains, but not regular income, of a corporation for tax purposes.

### DISTRIBUTIONS

Distributions paid by a corporation are generally treated as dividends of the payor corporation. Certain distributions on shares of a corporation, such as returns of capital (to the extent of the “paid-up capital” in respect of the relevant shares), may generally be returned to shareholders on a tax-free basis.

### LOSS UTILIZATION

Non-capital losses may generally be carried forward 20 taxation years and back three taxation years, subject to certain loss limitation rules. Net capital losses can generally be carried forward indefinitely and back three taxation years, subject to certain loss limitation rules.



### TAX-FREE REORGANIZATIONS

Certain qualifying corporate reorganizations, combinations and divisions may be eligible to be executed on a tax-deferred basis for federal tax purposes, subject to the detailed statutory restrictions in the *Income Tax Act* (Canada). Certain special rules apply to cross-border reorganizations.

### ANTI-DEFERRAL RULES

#### FAPI

Under the foreign accrual property income (FAPI) rules, a Canadian-resident corporation may be subject to tax on a current basis in respect of “passive income” of a non-resident subsidiary.

#### OIFP

Under the offshore investment fund property (OIFP) rules, a Canadian-resident corporation may be subject to tax on a prescribed basis in respect of interests in certain non-resident entities.

### FOREIGN TAX CREDITS

Subject to certain limitations and restrictions, foreign tax credits or deductions may be available to be claimed in respect of certain foreign taxes paid.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Generally, any gain realized by a non-resident person on the disposition of Canadian real property may be taxable in Canada.

### TRANSFER PRICING

“Arm’s-length” principles generally are applied under Canadian tax law to transactions between related entities. The applicable Canadian rules are similar in many respects to the OECD guidelines, with certain material differences.

### WITHHOLDING TAX

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

A 25 percent withholding tax applies to dividends, certain royalties, certain interest payments, rent and certain other payments made by a resident corporation to a non-resident person, subject to reduction under an applicable income tax treaty.

#### SERVICE FEES

Withholding tax may apply to certain payments in respect of services rendered by a non-resident, particularly where the services are rendered in Canada, subject to reduction under an applicable income tax treaty.

### **CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX**

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No general capital tax or stamp duty. Transfer taxes may be imposed at the provincial level.

### **EMPLOYMENT TAXES**

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Employers must withhold federal income tax, Canada Pension Plan (CPP) (or Quebec Pension Plan (QPP)) premiums and Employment Insurance (EI) premiums. Employers must also pay the employer's portion of the CPP (or QPP) premium and the employer's portion of the EI premium in respect of compensation paid to employees. These taxes are generally deductible by an employer for Canadian income tax purposes. Other withholding obligations and taxes may apply at the provincial level.



# CHINA



## RESIDENCE AND BASIS FOR TAXATION

A resident enterprise is an enterprise established in China under the laws of China or an enterprise that is established under the laws of a foreign country (region) but that maintains its place of effective management in China.

### DOMESTIC

A resident enterprise is subject to enterprise income tax in China on its worldwide income.

### FOREIGN

A non-resident enterprise is subject to enterprise income tax in China only if:

- (i) it has derived China-sourced income by an establishment or place in China, or it has income incurred outside China but effectively connected with its establishment or place in China; or
- (ii) it has derived China-sourced income even if it does not have an establishment or place in China, or the income is not effectively connected with its establishment or place in China.

## TAXABLE INCOME

### DOMESTIC

The taxable income of a resident enterprise is the balance of its annual gross revenue less all applicable deductions and losses.

### FOREIGN

The taxable income of a non-resident enterprise is either the balance of its China-sourced gross revenue less all applicable deductions when the income is derived by or effectively connected with its establishment or place in China, or the gross revenue derived from China when the income is not effectively connected with its establishment or place in China.

## TAX RATES

The standard enterprise income tax rate is 25 percent, with a few preferential tax rates applicable to qualified enterprises.

The standard withholding income tax rate for non-resident enterprises is 10 percent, which may be reduced by applicable tax treaties.

## TAX COMPLIANCE

A resident enterprise must report and pay enterprise income tax on an annual basis, with quarterly provisional tax filing. The annual enterprise income tax return is due by May 31 of the following year. A non-resident enterprise may have to file an income tax return on its own if it has an establishment or place in China or may be subject to tax withholding by a withholding agent as applicable.

### ALTERNATIVE MINIMUM TAX

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N/A.



### TAX HOLIDAYS, RULINGS AND INCENTIVES

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#### TAX HOLIDAYS

Tax holidays are available to certain encouraged industries, such as basic infrastructure projects, environmental protection and energy and water conservation projects and software enterprises.

#### TAX RULINGS

There is no established procedure for advance tax rulings.

#### TAX INCENTIVES

Preferential tax rates are available to certain encouraged enterprises, such as High and New Technology Enterprises and encouraged investment in West China.

Tax exemption/deduction is applicable when an enterprise has generated certain encouraged types of revenue, such as revenue from agriculture, forestry and technology transfer.

### CONSOLIDATION

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Consolidated tax filing of multiple enterprises is not allowed unless otherwise prescribed by the State Council.

### PARTICIPATION EXEMPTION

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Dividends received by a resident enterprise from another resident enterprise are exempt from enterprise income tax, except for dividends paid by a publicly listed enterprise to a shareholder that has continuously held the shares for less than 12 months.

### CAPITAL GAIN

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Capital gain is included in taxable income and is not otherwise differentiated from other types of income.

### DISTRIBUTIONS

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The part of the distribution equivalent to retained earnings is treated as a dividend; the remaining part is treated as return of capital, with any exceeding amount being treated as capital gain.

### LOSS UTILIZATION

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Loss can be carried forward for five years.

### TAX-FREE REORGANIZATIONS

Reorganizations (e.g., equity purchases, asset purchases, mergers or splits) may be subject to “Special Tax Treatment” (tax deferral) upon meeting certain substantive and procedural conditions. Additional restrictions are applicable to cross-border reorganizations.

### ANTI-DEFERRAL RULES

The general anti-avoidance rule of the enterprise income tax law may be cited by the Chinese tax authorities to make adjustments on transactions that do not have reasonable business purposes.

#### CFC

If an offshore company is established in a low tax jurisdiction (with an effective income tax rate below 12.50 percent) and is “owned or controlled” by Chinese resident enterprises, the Chinese enterprise shareholders must include in their taxable income the profits of the offshore company even if the offshore company has not actually distributed any profits.

#### THIN-CAPITALIZATION RULE

If the ratio of debt-to-equity received by an enterprise from related parties exceeds the prescribed limit (currently two to one for non-financial enterprises and five to one for financial enterprises), the excess interest expense cannot be deducted for income tax purposes.

### FOREIGN TAX CREDITS

Foreign income tax paid by directly or indirectly owned foreign subsidiaries of a resident enterprise may be credited against the resident enterprise’s income tax payable in China, subject to certain limitations.

Any unused foreign tax credit may be carried forward for five years.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Income from direct or indirect transfers of real property located in China is considered income sourced in China.

### TRANSFER PRICING

Related party transactions must be conducted on an “arm’s-length” basis. Otherwise, the Chinese tax authorities may make an adjustment within ten years.

Enterprises reaching certain thresholds must prepare contemporaneous transfer pricing documentation.

### WITHHOLDING TAX

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#### **DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.**

Chinese payors have the legal obligation to withhold tax when remitting dividends, royalties, interest, rents and other payments to foreign recipients.

#### **SERVICE FEES**

Service fees are subject to income tax in China if the foreign recipient has created an establishment or place (or a Permanent Establishment in a tax treaty context) in China. Where applicable, a Chinese payor of service fees may also be designated as the withholding agent by the PRC tax authority.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

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There is no capital duty, though the PRC company registration authority charges a nominal registration fee based on the amount of registered capital of an enterprise. Stamp duty and transfer taxes (Business Tax and Value-added Tax) may be imposed on asset and equity transfers.

### EMPLOYMENT TAXES

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Employers must withhold Individual Income Tax when paying salaries and wages to employees. Contributions of mandatory social insurance and housing fund are deductible for Individual Income Tax purposes.



## DENMARK

### RESIDENCE AND BASIS FOR TAXATION

A corporation is treated as a Danish domestic corporation due to either being registered in Denmark or by having its place of effective management in Denmark.

#### DOMESTIC

A domestic corporation is subject to Danish tax on its worldwide income. Income of a domestic corporation attributable to a foreign permanent establishment is not taxed in Denmark.

#### FOREIGN

Foreign corporations are subject to Danish tax if they have a permanent establishment in Denmark. Foreign corporations may also be subject to Danish tax on income derived from Denmark in the form of interest, dividends, certain capital gain or payments for hiring out of labor.

### TAXABLE INCOME

#### DOMESTIC

Taxable income of a domestic corporation is generally equal to all gross income less applicable deductions.

#### FOREIGN

The income of permanent establishments of foreign corporations is generally calculated the same way as the income of a Danish corporation. Denmark does not have a branch profit tax, however, a branch may in certain cases be considered a corporation for tax purposes. In this case, withholding tax may apply on distributions.

### TAX RATES

Standard corporate tax rate is 24.50 percent in 2014. The rate will be reduced to 23.50 percent in 2015 and to 22 percent in 2016 and onwards.

### TAX COMPLIANCE

Domestic corporate income tax returns are due six months after the end of the income year.

### ALTERNATIVE MINIMUM TAX

N/A.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

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#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

Binding rulings from the tax authorities are available.

#### TAX INCENTIVES

Tax incentives are available for certain R&D activities. A company may in certain cases elect to have its tax loss from R&D activities paid in cash instead of setting it off against future profits.

#### CONSOLIDATION

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Danish corporations that are affiliated (generally meaning more than 50 percent ownership of stock or votes) are subject to mandatory joint taxation. International joint taxation may be elected.

#### PARTICIPATION EXEMPTION

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Generally, dividends that a Danish company receives from another company are tax exempt provided that the shareholder company holds at least 10 percent of the shares of the paying company. Exceptions may apply if the subsidiary is located in a non-EU, non-treaty country.

#### CAPITAL GAIN

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Capital gain on shares is generally tax exempt when the shareholder is a corporation. Capital gain on other assets is generally taxed as ordinary income.

#### DISTRIBUTIONS

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Distributions paid by a corporation to its shareholders are treated as dividends. Dividends can only be distributed to the extent that the corporation has adequate free reserves.

#### LOSS UTILIZATION

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Net operating losses can be carried forward indefinitely. Losses cannot be carried back. A general rule limits the utilization of tax losses carry forwards: up to DKK 7.5 million per income year can be utilized in full. Tax loss carry forwards above this amount can only be used to reduce the taxable income by 60 percent.

#### TAX-FREE REORGANIZATIONS

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Tax exempt mergers, demergers and tax exempt contribution of assets are available, in each case provided the specific requirements are met. Special rules apply to cross-border reorganizations.



### ANTI-DEFERRAL RULES

Under the controlled foreign corporation (CFC) rules, a domestic corporation may be subject to tax on the income of a foreign subsidiary. If the Danish company is directly or indirectly controlling the entity, Danish CFC rules would apply if (i) the net CFC (i.e., financial) income of the subsidiary calculated according to modified Danish tax rules exceeds 50 percent of the total taxable income of the subsidiary (the income test); and (ii) the value of the subsidiary's financial assets on average exceeds 10 percent of the value of the company's total assets (the asset test).

### FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits are available for foreign taxes paid. No “indirect” foreign tax credits are available.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Investment in real estate through a corporation is not subject to special rules.

### TRANSFER PRICING

“Arm’s-length” principles generally are applied under Danish law to transactions between related entities. The Danish rules generally follow the OECD guidelines.

### WITHHOLDING TAX

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

A 27 percent withholding tax applies to dividends. A 25 percent withholding tax applies to royalties and interest paid on intragroup loans.

#### SERVICE FEES

Withholding tax only applies to service fees if the service provided is hiring-out of labor. The tax is 8 percent labor market contribution and 30 percent tax.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Stamp duty applies to the transfer of real estate, ships and aircrafts.

### EMPLOYMENT TAXES

Employers must withhold income tax as well as 8 percent labor market contribution. The employer must pay certain smaller contributions to a mandatory pension scheme, maternity/paternity foundation, etc.



# FRANCE

## RESIDENCE AND BASIS FOR TAXATION

A company is a resident of France if it has its legal seat or place of effective management in France. As a general rule, the corporate income tax base is territorial.

### DOMESTIC

Profits of a resident corporation generally are subject to French corporate tax only if derived from a business operated in France, real estate assets located in France or activities taxable in France pursuant to a double tax treaty. Resident corporations can be subject to tax in France on foreign source income under anti-avoidance rules (e.g., CFC rules).

### FOREIGN

Foreign corporations are not subject to French corporate tax unless they have in France: (i) an autonomous establishment; (ii) a dependent agent empowered to act on behalf of the corporation; or (iii) a complete cycle of activity. For residents of tax treaty countries, these concepts generally are superseded by the permanent establishment concept set out in the applicable double tax treaty.

## TAXABLE INCOME

### DOMESTIC

Taxable income is the net income as determined by the company's profit and loss statement, reduced by certain non-taxable items and increased by certain non-deductible expenses.

### FOREIGN

Foreign corporations are subject to French corporate tax on French-source income from profits derived from a business operated in France, real estate assets located in France, a share of profits in a French partnership, dividends from a French source or services rendered in France. Tax treaties can reduce or eliminate these taxes.

## TAX RATES

Graduated income tax rates start at 15% (under certain conditions for small enterprises) with a top rate of 39.86%. The standard corporate income tax rate is 33.33%, on top of which miscellaneous contributions may be added, including a 3% dividend distribution tax.

## TAX COMPLIANCE

Corporate income tax returns must be filed no later than the second working day after May 1 for calendar year taxpayers or within three months after the end of the relevant financial year otherwise, with no extensions.

### ALTERNATIVE MINIMUM TAX

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N/A.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

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#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

No broad-based rulings are available. On certain issues, taxpayers can request a private letter ruling that applies only to the specific issue.

#### TAX INCENTIVES

There are tax incentives for specific activities, including R&D credits and a payroll tax credit for competitiveness and employment.

### CONSOLIDATION

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The French tax consolidation regime allows a French parent company and its 95% owned domestic subsidiaries to combine their profits and losses and to pay corporate income tax on the consolidated result, subject to certain adjustments to neutralize intra-group transactions. A French parent company indirectly owning at least 95% of French affiliates through one or more foreign companies based in the EU, Iceland, Norway or Liechtenstein (intermediary companies) can also form a tax group. Similarly, it is possible to set-up a tax group between sister companies with their parent company established in the EU, Iceland, Norway or Liechtenstein.

### PARTICIPATION EXEMPTION

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A participation exemption regime is applicable to long-term capital gain (88 percent exempt) and dividends (95 percent exempt), subject to a minimum shareholding of 5 percent of the share capital and a minimum holding period of two years. Capital gain on the disposal of shares of real estate companies are excluded from the participation exemption regime.

### CAPITAL GAIN

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Capital gain realized by corporations that is subject to corporate income tax are treated as regular income, subject to exceptions. One exception is the exception that applies to long-term capital gain benefiting from the participation exemption regime, as described above.

### DISTRIBUTIONS

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Dividend distributions paid by an entity subject to French corporate tax are subject to a 3 percent tax based on the amount distributed. Some exceptions apply, in particular for distributions within a tax consolidated group or for small enterprises (within the meaning of EU law).

### LOSS UTILIZATION

Operating losses can be carried forward without time limitation but with a utilization cap per financial year of €100 million plus 50 percent of the taxable profit of the current financial year. Losses can be carried back only for the previous financial year, with a €100 million cap.



### TAX-FREE REORGANIZATIONS

For all types of restructurings (e.g., mergers, spin-offs or partial spin-offs), a favorable tax regime may apply if the assets are transferred under special valuation rules.

### ANTI-DEFERRAL RULES

If a French company subject to corporate income tax in France has a foreign branch or if it holds, directly or indirectly, an interest (e.g., shareholding, voting rights or a share in the profits) of at least 50 percent in any type of structure benefiting from a privileged tax regime in its home country (i.e., effective tax paid that is 50 percent lower than the tax that would be paid in France in similar situations), the profits of such a foreign branch, entity or enterprise are subject to corporate income tax in France. The shareholding threshold is reduced to 5 percent if more than 50 percent of the foreign entity is held by French companies acting in concert or by entities controlled by the French company.

### FOREIGN TAX CREDITS

No credit is given for the underlying corporate income taxes levied abroad, and, unless a relevant double tax treaty provides, foreign withholding taxes levied on the income received in France are not creditable against French tax on that income. Such taxes may be deducted from taxable income.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

A 3 percent tax applies to all entities having immovable properties in France, irrespective of their form and whether they have the legal capacity to act as a legal entity. The 3 percent tax applies to corporations, funds, trusts and other institutions.

The transfer of ownership of a real estate asset is usually subject to registration duty of 5 to 6 percent which may be reduced under certain conditions to 0.715 percent (e.g., asset dealer transactions) or to 125€ (e.g., acquisition of a plot of land with commitment to build on the land).

### TRANSFER PRICING

The French legislation does not make any specific references to what are acceptable transfer pricing methodologies. In practice, however, the methodologies stated in the OECD guidelines are employed in most cases.

### WITHHOLDING TAX

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Withholding tax may be reduced or eliminated by applicable tax treaties or EU directives. An increased withholding tax rate of 75 percent is levied on dividends, interest or royalties paid to a beneficiary or on an account located in a non-cooperative State or territory.

### DIVIDENDS, INTEREST, ETC.

As a general rule, dividends paid to non-residents are subject to a 30 percent withholding tax. Generally, no withholding tax is levied on French-source interest.

### ROYALTIES AND SERVICE FEES

As a general rule, a withholding tax may be levied at the standard rate of 33.33 percent on royalties and service fees.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

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No stamp duties. Registration duties are levied on the share capital increase of French companies. In most cases, it is a lump sum duty of €375.00 to €500.00. However, registration duties at a proportional rate may be levied in case of a contribution in kind, in particular in the cases of real estate assets or on-going concerns.

### EMPLOYMENT TAXES

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Employees and employers must pay contributions for health insurance, unemployment insurance and the national pension scheme. These contributions are deducted at source from salary payments.



# GERMANY

## RESIDENCE AND BASIS FOR TAXATION

A corporation that has either its registered seat or its effective place of management in Germany will be treated as a resident corporation.

### DOMESTIC

A resident corporation is subject to German tax on its worldwide income. A resident corporation generally is not subject to German tax on the income of its foreign subsidiaries unless an anti-deferral provision applies (i.e., the “CFC” rules).

### FOREIGN

A non-resident corporation is taxed only on its German source income, as defined in German tax law and applicable double taxation treaties.

## TAXABLE INCOME

### DOMESTIC

Taxable income of corporations is based on the annual financial statements prepared under German accounting principles pursuant to the German Commercial Code, subject to adjustments for tax purposes.

### FOREIGN

A non-resident corporation is subject to corporate income tax only on income derived from German sources. Income from German sources includes, among other items, business income from operations in the country through a branch, office or other permanent establishment, including a permanent representative, and income derived from the leasing and disposal of real estate located in Germany.

## TAX RATES

The corporate income tax rate is 15 percent plus 5.50 percent solidarity surcharge.

The trade tax rate, which is levied by municipalities, varies, but in practice averages 14 percent to 17 percent of income. Trade tax is based on taxable income as calculated for corporate income tax purposes. However, several income adjustments apply.

## TAX COMPLIANCE

Corporate income tax returns and trade tax returns have to be filed five months after the end of the fiscal year.

### ALTERNATIVE MINIMUM TAX

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N/A.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

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#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

Taxpayers can request a binding ruling from the tax authorities before executing a transaction. If the relevant tax authority issues a ruling, it is bound by it if the taxpayer has executed the transaction as described in its request.

#### TAX INCENTIVES

Various incentive programs exist for the promotion of modern energy generation and efficiency (e.g., solar and wind energy), as well as programs for the promotion of domestic buildings, environment protection, R&D, health care, infrastructure and agriculture. Promotion can either be granted as a tax benefit, allowance, guarantee, loan or participation.

### CONSOLIDATION

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Profits and losses of a controlled company are attributed to the controlling company if certain requirements are fulfilled and a profit and loss pooling agreement is entered into for a minimum period of five years. However, tax consolidation is only possible for subsidiaries with effective place of management in Germany.

### PARTICIPATION EXEMPTION

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Dividends and capital gain from the sale of shares in a domestic or foreign corporation received by a corporate shareholder are generally tax-free.

An amount equal to 5 percent of the dividends or capital gain is treated as a non-deductible business expense and added to taxable income. In turn, the actual business expenses are fully deductible. In the case of a direct shareholding of less than 10 percent at the beginning of the calendar year, dividends are subject to taxation.

### CAPITAL GAIN

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Capital gain of corporations, except those derived from sales of shares (i.e., participation exemption) are treated as ordinary income.

In general, capital loss is deductible. However, capital loss is not deductible if a gain resulting from the underlying transaction would have been exempt from tax. Consequently, capital loss from sales of shares or write-downs on shares are not deductible.

### LOSS UTILIZATION

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Carry-forward: Losses may be carried forward indefinitely.

Carry-back: Losses up to an amount of €1 million can be offset against the profits of the preceding year. Losses for trade tax purposes cannot be carried back.

Minimum taxation: 40 percent of the income exceeding €1 million cannot be sheltered by tax loss carry-forwards, but instead is subject to taxation at regular rates.

### TAX-FREE REORGANIZATIONS

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Qualifying corporate formations, combinations and divisions may be tax-free to a participating corporation and its shareholders.

### ANTI-DEFERRAL RULES

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Low-taxed passive income (*i.e.*, tax rate of less than 25 percent) earned by a foreign corporation in which at least one German shareholder holds qualifying ownership interests (*i.e.*, an intermediary company) is imputed pro-rata to the German shareholders and is fully subject to German taxation unless the foreign corporation is based in the EU or EEA and carries out an economic activity therein, in which case a limitation may apply.

### FOREIGN TAX CREDITS

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Under German domestic tax law, income from foreign sources is usually taxable, with a credit for the paid foreign income taxes, up to the amount of German tax payable on the foreign-source income, subject to per-country limitations. Excess foreign tax credits cannot be carried back or carried forward. In general, German tax treaties provide for an exemption from German taxation of income from foreign sources except for dividends from direct shareholdings of less than 10 percent and interest.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

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N/A.

### TRANSFER PRICING

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Transactions between affiliated parties will give rise to income adjustments to the extent that such transactions are not conducted at “arm’s-length.” Additionally, transactions with a foreign affiliated party are subject to extensive documentation requirements.

### WITHHOLDING TAX

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#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

Dividends paid to non-resident companies: Generally, a rate of 26.375 percent applies (i.e., 25 percent withholding tax (WHT) plus 5.50 percent solidarity surcharge on WHT, although exemptions may be available under the EU Parent-Subsidiary Directive, if applicable). There is a reduction of WHT under most German tax treaties for qualified dividends. In addition, on the basis of domestic law, foreign corporations may claim a refund of two-fifths of the WHT, subject to certain substance requirements.

Interest paid to non-resident companies: Generally there is no WHT, although certain exceptions apply.

Patent royalties and certain copyright royalties paid to non-resident companies: Generally 15.825 percent WHT applies. Exemptions may be available under the EU Interest-Royalties Directive, if applicable. There is reduction of WHT under most German tax treaties.

#### SERVICE FEES

N/A.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

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Real estate transfer tax (RETT) is levied on the transfer of German real estate, the (direct or indirect) transfer of 95 percent or more of the interest in a partnership owning German real estate to new partners within five years and the (direct or indirect) aggregation at the level of one shareholder or interest holder of 95 percent or more of the shares in a corporation or interest in a partnership owning German real estate. The tax rate ranges between 3.50 percent and 6.50 percent among the German federal states. Furthermore, since June 7, 2013, it is necessary to determine whether such a transaction has the effect that a taxpayer (directly or indirectly, or partly directly and partly indirectly) holds an economic participation of at least 95% in a company or partnership owning real property.

There are no other transfer taxes, capital duties or stamp duties.

### EMPLOYMENT TAXES

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Employers must withhold wage taxes and contributions for pension, health and unemployment insurance.



# INDIA

### RESIDENCE AND BASIS FOR TAXATION

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A corporation formed in an Indian jurisdiction is treated as a domestic corporation.



#### DOMESTIC

A domestic corporation is subject to Indian tax on its worldwide income. A domestic corporation generally is not subject to Indian tax on the income of its foreign subsidiaries unless it is deemed to have a permanent establishment in such a country.

#### FOREIGN

Foreign corporations are not subject to Indian tax except on: (i) income arising from an Indian trade or business, (ii) a permanent establishment, or (iii) corporations wholly managed and controlled from India. Tax treaties can reduce or eliminate these taxes.

### TAXABLE INCOME

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#### DOMESTIC

Residents are taxed on their global income less any deductions. Income derived from a foreign source by a resident company is subject to the applicable domestic tax rates.

#### FOREIGN

Foreign companies that have branches or similar establishments in India are taxed as foreign corporations. A permanent establishment of a foreign company in India may be taxed on the income attributable to such permanent establishment in India.

### TAX RATES

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Income tax rates applicable to an individual taxpayer range from a rate of 10 percent to 30 percent. A surcharge of 10 percent is also payable if the income of the individual taxpayer exceeds ₹1,00,00,000 over and above the income tax, and education cess is payable at the rate of 3 percent of the income tax and surcharge. The income tax rate for domestic companies is 30 percent. A surcharge of 10 percent is payable if the income of the domestic company exceeds ₹10,00,00,000.

### TAX COMPLIANCE

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Domestic corporate income tax returns are due on the 30th day of the sixth month after the end of the tax year. In certain instances a company may be required to make advance payments of tax on a quarterly basis on June 15, September 15, December 15 and March 15.

### ALTERNATIVE MINIMUM TAX

Every domestic corporation is subject to Minimum Alternate Tax (MAT) of 18.50 percent. A corporation pays the greater of its regular tax liability and its MAT tax liability. Foreign corporations may also be subject to MAT.

### TAX HOLIDAYS, RULINGS AND INCENTIVES



#### TAX HOLIDAYS

Tax Holidays are available to certain corporations either engaged in specific sectors such as infrastructure or to corporations that are newly formed or that are of a smaller size.

#### TAX RULINGS

An advanced ruling can be obtained by an applicant (either a non-resident or a resident transacting with a non-resident) in respect of any question of law or fact in relation to the income tax liability of the non-resident, arising out of a transaction undertaken or proposed to be undertaken.

#### TAX INCENTIVES

There are tax incentives for certain industries either based on their location in special economic zones or by the nature of the industry itself.

### CONSOLIDATION

Consolidated tax returns are not permitted to be filed in India.

### PARTICIPATION EXEMPTION

There is no participation exemption for dividends received from, or capital gain recognized on the stock of, foreign subsidiaries.

### CAPITAL GAIN

Capital gain is taxed in India according to its classification as long term capital gain (capital assets held for over three years) or short term capital gain. Short term capital gain is taxed at the normal tax rates, whereas adjustments for inflation are permissible in relation to long term capital gain.

### DISTRIBUTIONS

Distributions of dividends by a corporation are subject to dividend distribution tax in the hands of the corporation.

### LOSS UTILIZATION

Business or Profession losses may be carried forward eight years. However, unabsorbed depreciation may be carried forward indefinitely. Short term loss may be set off against both short term and long term capital gain. However, long term loss may be set off only against long term gain.

### TAX-FREE REORGANIZATIONS

Qualifying corporate formations, combinations and divisions may be tax-free to a participating corporation and its shareholders, except to the extent of any non-qualifying property received.

### ANTI-DEFERRAL RULES

India presently has in place certain General Anti-Avoidance Rules (GAAR) or Specific Anti-Avoidance Rules (SAAR) pertaining to anti-deferral of taxes. These rules are going to be implemented from the financial year 2015–2016 (i.e., tax on income arising from April 1, 2015).

GAAR will not apply if the tax benefit arising out of a transaction is below ₹30 million (approximately US\$0.55 million). GAAR may be reviewed at the time of announcement of the annual fiscal proposals for the tax year 2015-16 on February 28, 2015.

A foreign company will be liable to pay tax on international transactions that may indirectly affect ownership and control of Indian subsidiary.

### FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits are available for foreign taxes paid. Generally, Article 25 of the relevant tax treaty (relief from double taxation) may make available “indirect” foreign tax credit for taxes paid by foreign subsidiaries on profits repatriated to domestic corporations.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Foreign investment in real estate in India is highly regulated. A foreign company may acquire immovable property for business purposes, but amounts received for sale of such immovable property may only be repatriated to the extent paid for such immovable property.

### TRANSFER PRICING

Transfer Pricing must be conducted on an “arm’s-length” basis and computed using any of the following methods: (i) comparable uncontrolled price method; (ii) resale price method; (iii) cost plus method; (iv) profit split method; (v) transactional net margin method; or (vi) any other method that takes into account the price which has been charged or paid, or would have been charged or paid, for the same or similar uncontrolled transaction, with or between non-associated enterprises, under similar circumstances, considering all the relevant facts.

### WITHHOLDING TAX

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

Withholding tax at differing rates applies to dividends, royalties, interest, fees for technical services and other income paid by a domestic corporation to a foreign person, subject to reduction by an applicable income tax treaty.

### SERVICE FEES

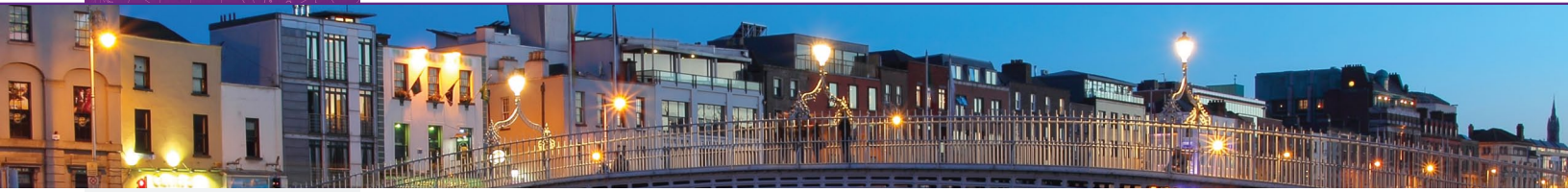
Withholding tax on fees for technical or consultancy services applies irrespective of the place of business of the non-resident service provider or the place of rendering of services. Corresponding provisions of the relevant tax treaty may be examined to ascertain any relief or exemption.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

ROC charges are payable when the authorized share capital of a company is increased, at progressive rates depending on the value of capital. Stamp duties and transfer taxes may be imposed at the state or local level.

### EMPLOYMENT TAXES

Employers must withhold income tax at the applicable rates. Employers must also withhold and pay social security tax in respect of compensation paid to employees. These taxes are deductible by an employer for Indian income tax purposes. Professional taxes may be payable in some states of India.



## IRELAND

### RESIDENCE AND BASIS FOR TAXATION

The general rule is that a company incorporated in Ireland will be tax resident in Ireland. However, two exceptions to this general rule exist.

#### *1st Exception*

This exception applies where:

- (i) the Irish incorporated company, or a related company, is carrying on a trade in Ireland; and
- (ii) the company is ultimately controlled by residents of a relevant territory (i.e., a resident of an EU Member State or tax treaty country) or the company itself or a related company's shares are listed on a recognized stock exchange in a relevant territory.

Where this exception applies, the company's tax residency will be determined by where it is managed and controlled. This first exception applies through 2020 for Irish incorporated companies incorporated in 2014 or a prior year, provided there is no change in the nature or conduct of the business and no change of control of that company on or after January 1, 2015.

#### *2nd Exception*

This exception applies where the Irish incorporated company is, under the terms of a double tax treaty, considered resident in the country of the tax treaty partner.

A company incorporated in another country may become Irish tax resident if its management and control is exercised in Ireland.

### DOMESTIC

A resident company is subject to Irish tax on its worldwide income.

### FOREIGN

A non-resident company is not subject to Irish tax unless it carries on a trade in Ireland through a branch or agency or it receives income from Irish sources (e.g., income from the rent of Irish properties).

### TAXABLE INCOME

#### DOMESTIC

Taxable income of an Irish tax resident company is calculated by deducting allowable deductions (expenses, allowances and reliefs) from the profits and other income.

### TAX RATES

Corporate tax is applied at two rates, 12.50 percent for trading income and 25 percent for non-trading (passive) income.

### TAX COMPLIANCE

Corporate tax returns are generally due by the 21st day of the ninth month following the end of the relevant company's accounting period. This may be extended to the 23rd day of such month for companies that file their corporate tax returns online and pay any associated tax due via Revenue's Online Service.

Companies are also obliged to pay preliminary tax.

In the case of "large companies" (i.e., companies which in their preceding accounting period had a tax liability exceeding €200,000.00), there is an obligation to pay preliminary tax in two installments. The first installment will be payable by the 21st/23rd day of the sixth month of the accounting period in the amount of 50 percent of the corporate tax liability for the preceding accounting period or 45 percent of the corporate tax liability for the current period. The second installment is payable by the 21st/23rd day of 11th month of the accounting period and the amount payable must bring the total preliminary tax paid to 90 percent of the company's corporate tax liability for the current accounting period.

In the case of "small companies" (i.e., companies which in their preceding account period had a tax liability of less than €200,000.00), there is an obligation to pay preliminary tax in one installment only. This installment is payable by the 21st/23rd day of the 11th month of the accounting period in the amount of 100 percent of the corporate tax liability for the preceding accounting period or 90 percent of the corporate tax liability for the current period.

### ALTERNATIVE MINIMUM TAX

N/A.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

Rulings are not generally available from the tax authority. However, taxpayers can obtain a tax authority opinion on certain technical tax matters. Though not binding, it is unlikely that the tax authority would deviate from an opinion.

#### TAX INCENTIVES

There are tax incentives available for specific activities, including, for example, R&D credits and tax depreciation on the purchase of intellectual property.

### CONSOLIDATION

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Certain loss reliefs can be grouped (see below). However, there is no concept of fiscal unity.

Companies with close organizational, financial and economic links (usually 50 percent common ownership) may form a VAT grouping. All companies in the group are jointly and separately liable for the VAT of the grouping.



### PARTICIPATION EXEMPTION

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An exemption from corporate tax on chargeable gains applies to Irish resident companies in relation to certain disposals of shareholdings in subsidiary companies.

The following conditions must be met for the exemption to be available:

- (i) the subsidiary must be resident in the EU or in a country which has signed a double-taxation treaty with Ireland;
- (ii) the disposing company must hold 5 percent of the ordinary share capital of the subsidiary for a minimum of 12 continuous months. The disposing company must also be entitled to 5 percent of the subsidiary's distributable profits and 5 percent of the subsidiary's assets on a winding-up for this 12 month period; and
- (iii) the subsidiary must be a trading company or the disposing company, the subsidiary and all of the disposing company's 5 percent subsidiaries must form a trading group.

Ireland does not have a participation exemption for dividends. However, Irish tax resident companies are not subject to Irish corporate tax on the receipt of dividends and other distributions from Irish resident companies.

### CAPITAL GAIN

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Capital gains of a corporation are taxed at 33 percent. Losses may be set off against chargeable gains arising in the same tax year. Unused capital losses can be carried forward and set off against chargeable gains in future years. Losses can generally only be carried forward.

### DISTRIBUTIONS

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Dividend withholding tax should generally not apply. See below (Withholding Tax – Dividends, Royalties, Interest, Rents, etc.).

Dividends received by Irish companies from their non-resident subsidiaries are taxed at 12.50 percent or 25 percent depending on the trading status of the underlying non-resident Irish subsidiary, with a foreign tax credit for direct and underlying tax already paid.

### LOSS UTILIZATION

Relief for trading losses is available by way of set-off against all other relevant trading income of the company in the same period and of the immediately preceding accounting period of equal length. Relevant trading losses can also be used to shelter foreign dividends which the company elects to tax at 12.50 percent. Any remaining trading losses can be set-off against all other income and profits of the company in the accounting period and in the immediately preceding accounting period of equal length on a value basis. Unused trading losses may be carried forward indefinitely for offset against future income of the same trade.

A member of a group of companies may surrender current year trading losses to another group member. A number of conditions must be met for group relief to be available (corresponding accounting period, 75 percent subsidiaries, tax resident in a Member State of the EU, etc.).

### TAX-FREE REORGANIZATIONS

Relief from stamp duty and CGT is available on certain intra-group reorganization transactions.

### ANTI-DEFERRAL RULES

N/A.

### FOREIGN TAX CREDITS

Ireland operates a credit system in respect of tax (including withholding tax and underlying tax) paid on dividends, interest and royalties. Onshore dividend pooling of foreign dividends is also available.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

The rate of stamp duty varies depending on the nature of the underlying assets. The transfer of non-residential land is taxed at 2 percent.

Irish CGT is chargeable on the disposal of Irish land or buildings irrespective of whether the disposer is an Irish tax resident company or a non-Irish tax resident company.

If the consideration for the sale of Irish land or buildings exceeds €500,000.00, the purchaser is required to withhold tax of 15 percent of the consideration and remit it to Revenue within 30 working days of closing. This requirement may be avoided where a form CG50A is produced. A form CG50A can be obtained where: (i) the vendor is resident in Ireland; (ii) no CGT is payable pursuant to the transfer; or (iii) CGT has already been paid.

An annual self-assessed Local Property Tax is charged on the market value of all residential properties. The first band covers all properties worth up to €100,000.00. Bands then go up in multiples of €50,000.00. If a property is valued at €100 million or lower, the tax is based on the mid-point of the relevant band at a rate of 0.18 percent.

To be liable for VAT on the supply of property, a property must have been developed and it must be supplied for consideration in the course of business.

### TRANSFER PRICING

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Transfer pricing rules are applied on an “arm’s-length” basis to transactions involving Irish trading companies for accounting periods from January 1, 2011. Irish transfer pricing rules follow OECD principles. Arrangements concluded before July 1, 2010 are excluded from the transfer pricing rules under grandfathering provisions.

### WITHHOLDING TAX

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#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

Withholding tax applies in Ireland at a rate of 20 percent. However, a number of domestic exemptions exist to remove the withholding obligation:

A number of exemptions exist, including where dividends are paid to non-Irish persons or companies which are ultimately owned/controlled by persons resident in a double tax treaty country or a listed entity.

Withholding taxes apply to the payment of patent royalties. An exemption from withholding tax exists for certain patent royalties paid to persons resident in the EU or a double tax treaty company. It is also possible to pay patent royalties to non-Irish, non-treaty persons free from withholding tax in certain circumstances.

A number of exemptions apply in relation to the payment of interest such as: (i) interest paid by a company (in the ordinary course of a trade or business) to a company resident in an EU Member State (other than Ireland) or in a double tax treaty jurisdiction where that jurisdiction imposes a tax which generally applies to interest receivable from foreign territories (except where such interest is paid to that company in connection with a trade or business which is carried on in Ireland by that company through a branch or agency); (ii) cross-border interest payments between associated companies in the EU (25 percent ownership is required or at least 25 percent of each company is owned by a third company); (iii) interest paid to another Irish resident company where both Irish resident companies are members of the same group (51 percent relationship required); (iv) interest paid by a company to an approved pension scheme; and (v) Interest paid on a quoted Eurobond.

Withholding tax must be deducted from rental payments made to non-residents.

#### SERVICE FEES

N/A.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

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No capital duty. Stamp duty generally applies to any document which is executed in Ireland or, wherever executed, relates to any property situated in Ireland or any matter or thing to be done in Ireland. The rate of stamp duty varies depending on the nature of the underlying assets. The transfer of Irish shares is subject to 1 percent stamp duty and the transfer of commercial land is subject to stamp duty at 2 percent. Intellectual property transfers should be exempt pursuant to the terms of a specific relief.



### EMPLOYMENT TAXES

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Under the pay as you earn or PAYE system, employers must deduct any income tax due each time a payment of wages, salary, etc. is made to an employee. Employers are also obliged to deduct any liability for Pay Related Social Insurance and the Universal Social Charge. Employers also make a contribution to Pay Related Social Insurance.

Income tax is levied at 20 percent and a higher threshold of 41 percent applies to income over a certain threshold (which depends on the marital status of the employee). The Universal Social Charge applies to employees taxed under the PAYE system at a rate of 1.5 percent, 3.5 percent, 7 percent or 8 percent of gross income depending on the level of income earned. Self-employed persons earning over €100,000 may be subject to Universal Social Charge at a rate of up to 11 percent.



# ITALY

### RESIDENCE AND BASIS FOR TAXATION

A corporation is considered to be resident in Italy if it has its legal seat, its place of management or its main business activity therein for the major part of the fiscal year. A foreign corporation can be deemed to be resident in Italy when it owns a controlling participation in an Italian company and: (i) is controlled, even indirectly, by resident entities; or (ii) the board of directors (or similar body of management) is mainly formed by Italian resident directors.

#### DOMESTIC

Resident corporations are taxable in Italy on their worldwide income. Italian permanent establishments of foreign entities are subject to taxation in the same manner as domestic corporations.

#### FOREIGN

Foreign corporations are not subject to Italian taxation on income that is considered Italian source. Tax treaties can reduce or eliminate these taxes. Specific anti-deferral provisions apply to foreign-controlled companies.

### TAXABLE INCOME

#### DOMESTIC

Taxable income of domestic corporations for corporate income tax purposes (IRES) is equal to their business income less applicable deductions.

#### FOREIGN

Foreign corporations are taxed on the amount of income generated in Italy, generally without any deduction.

### TAX RATES

The IRES standard rate equals to 27.50 percent. Specific surcharges are applied to specific sectors.

### TAX COMPLIANCE

The IRES tax return is due within nine months after the fiscal period end.

### ALTERNATIVE MINIMUM TAX

Non-operating companies are subject to a minimum level tax, depending on the assets they own.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

No broad-based rulings are available. On certain issues, taxpayers can file a ruling request to ask for interpretation of a specific issue by the tax authorities.

#### TAX INCENTIVES

Tax incentives are available for specific activities, including R&D credits, patent box regime and deductions for certain activities. A notional deduction for capital injection is available.

#### CONSOLIDATION

Eligible corporations that are affiliated (generally based on at least 50 percent stock ownership) may elect to compute corporate income tax on a consolidated basis.

#### PARTICIPATION EXEMPTION

Dividends received from domestic and foreign corporations are 95 percent excluded from taxable basis, unless they are distributed by “black-listed” affiliates. The participation exemption on capital gain from the sale of participations applies when certain requirements are met, allowing an exemption of 95 percent of the capital gain.

#### CAPITAL GAIN

Capital gain is generally included in taxable income. If the asset has been held for at least three years, the capital gain can be included over up to five years. 95 percent of the capital gain on sales of participation can be exempted if certain requirements are satisfied, as described above.

#### DISTRIBUTIONS

Distributions paid by a corporation are treated as dividends to shareholders to the extent of the current and accumulated earnings and profits (E&P) of the payor corporation. A distribution in excess of current and accumulated E&P is treated as a return of capital up to the tax value of the participation at the level of the shareholder. Any excess over the tax value of the participation is treated as capital gain.

#### LOSS UTILIZATION

Tax loss can be carried forward without any time limitation, but can be used to offset only up to 80 percent of taxable income. Tax losses incurred in the first three years of activities can be used to entirely offset subsequent years' taxable income. Tax losses cannot be carried back.

### TAX-FREE REORGANIZATIONS

Group reorganizations are ordinarily tax neutral for the corporations involved. Special rules apply to cross-border reorganizations.

### ANTI-DEFERRAL RULES

Income derived from controlled foreign companies (CFC) resident in a “black-listed” country is subject to taxation at the level of the Italian corporation under a tax transparency principle, unless a ruling is obtained from the tax authorities that provides that (i) the CFC carries out an effective business activity or (ii) the participation in the CFC does not result in the allocation of income in a black-listed jurisdiction.

#### CFC

Specific CFC provisions also apply to passive “white-listed” CFCs (i.e., CFCs resident in a “white-listed” country with an effective tax rate lower than 50 percent of the Italian tax rate and that derive more than 50 percent of their income from holding or investment in securities, participations, exploitation of intangible assets, etc.).

#### GENERAL ANTI-AVOIDANCE RULE

Italian tax authorities may disregard any act put in place without a valid economic reason and for the sole purpose of gathering tax advantages otherwise not due.

### FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits are available for foreign taxes paid.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

N/A.

### TRANSFER PRICING

“Arm’s-length” principles generally apply to international transactions between related entities. Italian tax rules make reference to the OECD guidelines.

### WITHHOLDING TAX

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

Dividends paid to foreign entities are subject to ordinary withholding tax at the rate of 26 percent. Dividends paid to EU countries and EEA “white-listed” countries subject to corporate tax in their country of residence are subject to 1.375 percent withholding tax. A tax treaty can reduce the above mentioned rate.

Exemption from withholding tax is provided under the EU Parent-Subsidiary Directive on dividends paid to qualifying shareholders. Among the other requirements, the participation must be at least equal to 10 percent and must be held for at least 12 months.

Interest paid to non-resident entities is subject to 26 percent withholding tax. A tax treaty can reduce the above-mentioned rate. The Interest and Royalties Directive provides for an exemption on interest and royalties paid to qualifying EU shareholders or affiliate entities.

Royalties are subject to 30 percent withholding tax, generally applied on 75 percent of the amount of the royalties. Tax treaties and the EU Interest and Royalties Directive can reduce or eliminate the withholding tax.

### **SERVICE FEES**

In principle, no withholding tax is applied on service fees.

### **CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX**

No capital duty. Stamp duties and transfer taxes may be imposed on specific corporate transactions.

### **EMPLOYMENT TAXES**

Employers must withhold an advance payment of individual income tax on salaries paid to employees. Employers also must pay social security contributions in respect of compensation paid to employees. These taxes are deductible by an employer for IRES and for IRAP but only if related to open ended working relationship.

### **IRAP**

In addition to corporate income tax (IRES), local income tax is levied at the level of Italian corporations (i.e., IRAP). IRAP is levied on the net value of the production generated in each Italian region, computed as the difference between revenues and production costs. Employment expenses (if not related to open ended relationships), write-down of assets and other specific costs are not deductible. The IRAP tax rate is equal to 3.90 percent, but any region can decide to increase the tax rate up to 4.82 percent. IRAP is deductible from corporate income tax up to an amount of 10 percent of IRAP paid.

Specific IRAP provisions apply to banks and financial institutions.

# JAPAN

### RESIDENCE AND BASIS FOR TAXATION

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A corporation that has its head office or main office in Japan will be treated as a domestic corporation.

#### DOMESTIC

A domestic corporation is subject to Japanese corporate tax on its worldwide income.

#### FOREIGN

A foreign corporation is subject to Japanese corporate tax only on income derived from sources in Japan; however, tax treaties can reduce or eliminate these taxes. If a foreign corporation has a permanent establishment in Japan, such foreign corporation is subject to Japanese corporate tax on income attributable to the permanent establishment.

### TAXABLE INCOME

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#### DOMESTIC

Taxable income of a domestic corporation is equal to all gross income less applicable deductions.

#### FOREIGN

The scope of taxable income for a foreign corporation depends on the existence and type of its permanent establishment in Japan. If a foreign corporation does not have any permanent establishment, the tax liability of the foreign corporation is usually settled finally by withholding tax. Under Japanese tax law, if a foreign corporation has a permanent establishment, corporate tax is imposed on its income derived from sources in Japan like taxable income of a domestic corporation; however, tax treaties may exempt a foreign corporation from taxation on industrial or commercial profits earned in Japan to the extent the income is not attributable to its permanent establishment in Japan.

### TAX RATES

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For corporation tax, the basic national corporation tax rate is 25.50%. Corporations are also subject to local taxes, which increase the standard effective tax rate to 35.64%. From April 2016, the amended Corporation Tax Act will be effective, and corporate tax for a foreign corporation with a permanent establishment in Japan will be imposed on its income attributable to the permanent establishment.

### TAX COMPLIANCE

The corporate tax is paid by a self-assessment system, by which taxpayers determine and pay their own tax obligations. If a taxpayer makes an incorrect or intentionally false tax return, the tax authority may order resubmission of a corrected tax return and payment of a penalty.

The tax return documents must be submitted within two months from the next day of the ending day of each fiscal year; however, the due date of a tax return filing can be extended to within three months. For certain corporations, an interim tax return filing is also required.

### ALTERNATIVE MINIMUM TAX

Under Japanese tax law, there are no taxes that are equivalent to Alternative Minimum Tax.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

The National Tax Agency provides a procedure for obtaining an advance ruling on the tax treatment of a completed or future transaction if the tax law has not been previously made clear.

#### TAX INCENTIVES

There are various tax incentives for specific activities, including R&D credits and special depreciation rules.

### CONSOLIDATION

The consolidated taxation system is applicable to a group of Japanese corporations in which a Japanese corporation directly or indirectly owns 100 percent ownership of other Japanese corporations, and it is optional for applicable corporations.

### PARTICIPATION EXEMPTION

Under Japanese tax law, there is no participation exemption for dividends received from, or capital gain recognized on the stock of, foreign subsidiaries. However, there is an exemption for dividends received from foreign subsidiaries (the so-called 95 percent foreign dividend exemption rule). Under this rule, if a Japanese shareholder has held 25 percent or more of the interest of a foreign company for at least six months before the dividend determination date, 95 percent of dividends received from such foreign company are exempt from taxable income.

### CAPITAL GAIN

Generally, capital gain recognized by a corporation is taxed at the same rate as ordinary income. Capital loss may reduce capital gain but not ordinary income. However, with respect to share transfers in certain types of reorganizations, no capital gain is recognized.

### DISTRIBUTIONS

Distributions paid by a corporation are treated as dividends to shareholders, which are not deductible.

### LOSS UTILIZATION

Net operating losses may be carried back to the preceding year or carried forward nine years.

### TAX-FREE REORGANIZATIONS

If a corporation transfers its assets to another corporation pursuant to a corporate division, a merger, an investment in kind, a dividend in kind or a share transfer (reorganization), and the reorganization is a “qualified reorganization” for corporate tax purposes, the recognition of the gains and losses on the transfer of the assets will be deferred.

### ANTI-DEFERRAL RULES

As a general rule, if a Japanese domestic corporation owns 10 percent or more of a foreign subsidiary in a tax haven (i.e., a country or territory that does not impose income tax or imposes a tax burden under 20 percent on the income), such company is subject to the Controlled Foreign Company Rules (CFC Rules) unless the foreign subsidiary satisfies certain requirements. A foreign subsidiary in a tax haven includes a foreign corporation more than 50 percent directly or indirectly owned by Japanese residents or Japanese companies and whose head office is located in a tax haven.

### FOREIGN TAX CREDITS

The foreign taxes levied on a Japanese domestic corporation in the ordinary course of its business may be credited against Japanese corporate tax. Also, the foreign taxes levied on a foreign subsidiary of a Japanese domestic corporation may be credited against Japanese corporate tax levied on the Japanese parent corporation.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Capital gain on sales of real estate in Japan accruing to a foreign corporation is subject to Japanese corporate tax at regular corporate tax rates. In addition, if a foreign corporation sells shares of a Japanese corporation of which 50 percent or more of its assets are real estate assets, the capital gain on the sale of shares will be included in taxable income subject to regular corporate tax.

### TRANSFER PRICING

When a corporation sells to, purchases from, provides services for or carries on other transactions with a foreign related person with which it has a special relationship, and its taxable income is less than the amount calculated under “arm’s-length” principles, these transactions will be deemed to have been conducted at “arm’s-length” prices, and the differential amount either will be included in, or will not be deductible from, the taxable income of the corporation.

### WITHHOLDING TAX

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#### **DIVIDENDS, ROYALTIES, INTEREST, RENTS, SERVICE FEES, ETC.**

Items of income (including dividends, royalties, interest, rent and service fees) paid to a foreign corporation are generally subject to Japanese withholding income tax at a rate of 20 percent (15 percent for interest). However, double tax treaties may grant a special concession to a resident individual or a resident corporation in a foreign jurisdiction. Some double tax treaties provide that a person with dual residence may be determined to be a person with single residence by mutual agreement between competent authorities. In order to enjoy benefits under double tax treaties, an application form must be filed with the relevant tax office before the first payment between parties is made.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

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Upon incorporation of a company or an increase in registered capital, a certain amount of the registration tax is required that is based on the capital amount. Stamp duty may be imposed depending on the types of the documents or agreements. With respect to transfer taxes, an acquirer (a new owner) of real estate must pay real estate acquisition tax, and fixed asset tax must be paid by the publicly registered owner of fixed assets as of January 1 of each year. Also, registration tax is required for real estate registration in order to perfect the transfer.

### EMPLOYMENT TAXES

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An employer must withhold certain amounts on salary payments to employees. Under the withholding tax system, an employee does not pay the income tax directly to the tax authority. Instead, the employer is required to withhold a certain amount of money and pay that amount to the tax authority on behalf of the employee. Most Japanese employees do not file a tax return because their income tax has already been paid by withholding from their salary income. It is possible to get a tax refund by filing a tax return if the amount of income withheld exceeds the income tax that should have been imposed. The tax return made by employees is relatively rare because employers frequently adjust withholding tax in the later months of the year to account for their employees' deductible expenses.



# MEXICO

## RESIDENCE AND BASIS FOR TAXATION

Companies are considered Mexican residents when the main administration of the business (mind and management) is located in Mexico. Companies incorporated under Mexican law are deemed to be tax residents of Mexico. However, Mexican corporate nationality does not necessarily require Mexican tax residence.

### DOMESTIC

An entity resident in Mexico for tax purposes is subject to Mexican taxation on its worldwide income, regardless of the source of income.

### FOREIGN

Entities with foreign tax residence are subject to Mexican taxation when: (i) they have a permanent establishment within Mexico; (ii) do not have a permanent establishment in Mexico, but certain income comes from a Mexican source; or (iii) have a permanent establishment in Mexico but income was not attributed to such permanent establishment. Tax treaties can reduce or eliminate these Mexican taxes.

## TAXABLE INCOME

### DOMESTIC

Taxable income of a domestic corporation, or of a Mexican permanent establishment of a foreign tax resident, is equal to all gross income less allowed deductions and amortization or depreciation of investments.

### FOREIGN

Effectively connected income of foreign tax residents is subject to Mexican tax withholding at the source on a gross income basis at a flat rate of 30 percent (40 percent if the recipient is a resident of a tax haven). Tax treaties may reduce or eliminate these withholding taxes.

## TAX RATES

The corporate income tax rate is 30 percent, the value added tax rate is 16 percent and other sundry excise, consumption and special taxes apply to certain industries (e.g., alcohol, tobacco, mining, high caloric foods and beverages).

## TAX COMPLIANCE

Corporate federal tax estimated payments are due on the 17th day of each month for the period ending on the last day of the preceding month. Final annual tax payments are due no later than March 31 of each year without the ability to extend.

### ALTERNATIVE MINIMUM TAX

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N/A.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

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#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

No broad-based rulings are available. Taxpayers can request a private letter ruling that applies only to the specific issue or obtain a judicial ruling against tax laws, regulations or interpretations.

#### TAX INCENTIVES

There are tax incentives for specific activities, including real estate and national cinematographic and theatrical productions.

### CONSOLIDATION

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N/A.

### PARTICIPATION EXEMPTION

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There is no participation exemption for dividends received from, or capital gain recognized on, the stock of foreign subsidiaries. If ownership requirements are satisfied, a dividends received deduction applies to dividends received from domestic corporations, as long as those dividends came from the dividend distributing corporation's Net Tax Profit Account (CUFIN).

### CAPITAL GAIN

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Capital gain is taxable at the same rate as ordinary income (30 percent). Capital loss may offset capital gain.

### DISTRIBUTIONS

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Distributions paid by a corporation are treated as dividends to shareholders. If the distribution was made by means of a capital decrease it will be treated as capital gain to the extent such amount exceeds the capital account of the member receiving the distribution.

### LOSS UTILIZATION

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Net operating losses can be carried forward ten years. Their application is optional during that term.

### TAX-FREE REORGANIZATIONS

Corporate reorganizations may be tax-free or tax-deferred to a participating corporation and its shareholders, so long as the reorganization did not result in capital gain and the corporate capital modification and average acquisition cost of shares rules are complied with. This generally requires that no property transfer was considered to occur and regulations or a private letter ruling is obtained from the tax authorities.

### ANTI-DEFERRAL RULES

Extensive anti-deferral rules are included within Mexican tax law and are based on an effective rate test for controlled foreign corporations or investments.

### FOREIGN TAX CREDITS

Foreign tax credits are available for foreign taxes paid. They may be credited in accordance to the tax treaties and such crediting cannot exceed a designated limit.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

The purchase of real estate property is subject to the Real Estate Acquisition Tax (ISAI). This is a local tax that starts at 1 percent and can be up to 4.50 percent and it may be added with a fixed quota.

### TRANSFER PRICING

“Arm’s-length” principles are applied under Mexican law to transactions between related entities.

### WITHHOLDING TAX

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

A 30 percent withholding tax applies to dividends, royalties, interest, rents and other fixed, determinable, annual, or periodical income paid by a domestic corporation to a foreign person, subject to reduction by an applicable income tax treaty.

#### SERVICE FEES

Withholding tax applies to service fees if the services are performed by a foreigner inside Mexico or abroad.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

N/A except for ISAI, as stated above (Special Rules Applicable to Real Property).



### EMPLOYMENT TAXES

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Employers must withhold income tax. If there is outstanding tax liability due to a failure to withhold, the employer is liable for an amount equal to the amount the employer was supposed to withhold.

Inclusive stimulus: Employers hiring disabled employees may deduct 100 percent of the income tax withheld for such employees.

Additionally, employers are subject to certain social security and other employee benefits taxes.





# POLAND

## RESIDENCE AND BASIS FOR TAXATION

A company having its registered office or management in Poland will be treated as a resident taxpayer.

### DOMESTIC

Polish residents are subject to Polish Corporate Income Tax (CIT) on their worldwide income, regardless of where it is earned.

### FOREIGN

Foreign taxpayers (non-residents) are subject to Polish CIT in respect of the income earned in Poland. The CIT liable under the Polish CIT Law may be reduced or eliminated under a relevant double tax treaty concluded between Poland and a foreign taxpayer's country of residence.

## TAXABLE INCOME

### DOMESTIC

Taxable income is the difference between revenues and tax deductible costs. In general, all expenses incurred by a taxpayer in order to earn revenues or to secure or keep source of revenues are treated as tax deductible provided they are not listed in the Polish CIT Law as an exception to this rule.

### FOREIGN

Revenues derived in Poland are subject to Polish CIT.

## TAX RATES

The standard CIT rate is 19 percent.

The withholding tax rates are:

- (i) 20 percent for interest, royalties and certain types of services (e.g., advisory, legal services, accounting, etc.); and
- (ii) 19 percent for dividends.

Poland has implemented provisions of the EU Parent-Subsidiary Directive as well as the EU Interest and Royalty Directive.

Under the Polish CIT Law, a 50 percent penalty rate applies where a taxpayer does not meet the Polish transfer pricing requirements and additional income may be assessed in a transaction concluded with related party.

### TAX COMPLIANCE

Taxpayers are liable for monthly or quarterly advance CIT payments. No monthly or quarterly returns are required. Taxpayers are obliged to submit to the relevant tax office an annual tax return no later than by the end of the third month of the year following the year for which the tax return is filed.

### ALTERNATIVE MINIMUM TAX

N/A.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

Taxpayers (residents and non-residents) may apply to the Polish Minister of Finance for an individual interpretation of Polish tax law.

#### TAX INCENTIVES

The Polish CIT Law provides for tax incentives for taxpayers investing in new technologies. Additionally, companies operating in Special Economic Zones (on the basis of a permit) may be exempt from CIT.

### CONSOLIDATION

A group of at least two companies (limited liability companies or joint stock companies) may form a Tax Capital Group which is a taxpayer in Poland. A Tax Capital Group may be created only by Polish companies (i.e., no international consolidations is allowed) upon fulfillment of the conditions listed in the Polish provisions (e.g., one of the companies—the parent company—must directly own at least 95 percent of the shares in each of the other companies (subsidiaries) but subsidiaries may not own shares in other companies in the group).

### PARTICIPATION EXEMPTION

The Polish CIT Law stipulates exemption for dividends and other types of revenues from participation in Polish legal persons earned by residents of Poland, other EU/EEA Member State or Switzerland. The exemption requires holding at least 10 percent of shares (or 25 percent for Switzerland) for a minimum period of two years. The Polish provisions are in line with the Parent-Subsidiary Directive.

### CAPITAL GAIN

No specific regulations. Capital gain is subject to taxation based on general rules and at a rate of 19 percent.

### DISTRIBUTIONS

Distributions paid by companies to shareholders are dividends subject to CIT at a rate of 19 percent, provided that a reduction or exemption is not available.

### LOSS UTILIZATION

Loss may be carried forward for five subsequent years from the year in which it was recognized. The use of carried forward losses in any of these years may not exceed 50 percent of the amount of the loss reported in the year. Losses cannot be carried back.

### TAX-FREE REORGANIZATIONS

In general, mergers, acquisitions and divisions are tax-neutral. However, if a merger, acquisition or division is not carried out for legitimate economic reasons, and the main, or one of the main objectives, is to avoid tax, the transaction may be taxed.

### ANTI-DEFERRAL RULES

On January 1, 2015, the new rules for Controlled Foreign Companies (“CFC”) came into force. The CFC rules provide for 19 percent Polish CIT on the income generated by the CFC companies at the level of the Polish taxpayer. The CFC regime applies to the so-called passive income (i.e. dividends, royalties, interest) generated by entities operating in countries with income tax rate at 14.25 percent or lower.

Starting from January 1, 2015, Poland also has new thin capitalization regulations. The changes include a reduction of the debt-to-equity ratio from 3:1 to 1:1, broadening the group of borrowers subject to the thin capitalization rules, and the introduction of an alternative method of determining the limit of tax-deductible interest.

### FOREIGN TAX CREDITS

A tax credit is available for withholding tax on dividends received from a company based in a country with which Poland has concluded double tax treaty. An additional tax credit for underlying tax is applicable if a Polish resident company holds for an uninterrupted period of at least two years at least 75 percent of the shares of an entity taxed on its income in any treaty country outside the EU/EEA/Switzerland.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

N/A.

### TRANSFER PRICING

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In general, Polish provisions concerning transactions between related parties are based on the OECD guidelines. Transfer pricing documentation is obligatory for transactions between related parties reaching certain thresholds listed in the CIT Law (depending on the type of transaction, EUR 100,000, EUR 50,000, or EUR 30,000). Although there is no legal obligation to prepare benchmarking analysis for transactions between related parties, the Polish tax authorities may require such analysis. Taxpayers may apply for Advance Pricing Agreements to be concluded with the Polish tax authorities.

### WITHHOLDING TAX

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#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

A 20 percent withholding tax applies to interest and royalties, whereas dividends are subject to 19 percent withholding tax. The above mentioned withholding tax rates may be reduced under a relevant double tax treaty.

#### SERVICE FEES

A 20 percent withholding tax rate applies to intangible services, such as accounting, advisory and legal services.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

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Transfer tax is imposed on legal procedures, contracts of sale or exchange and loan agreements. Transfer tax rates vary from 0.50 percent to 2 percent.

### EMPLOYMENT TAXES

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Employers are obligated to calculate and withhold Personal Income Tax (PIT) as well as social security contributions due on the income earned by their employees. Personal income under an employment contract is subject to PIT at progressive rates of 18 percent to 32 percent.



# SINGAPORE

## RESIDENCE AND BASIS FOR TAXATION

### DOMESTIC

Singapore adopts the territorial basis of taxation. Income tax is imposed on income sourced in Singapore or received in Singapore from outside Singapore, unless specifically exempt from tax.

### FOREIGN

The place of incorporation is not relevant. A company is resident in Singapore if it is managed and controlled in Singapore. Generally, a Singapore branch of a foreign company will be considered non-resident if it is managed and controlled by its overseas parent company.

## TAXABLE INCOME

### DOMESTIC

Taxable income is equal to all gross income less applicable deductions. Gains which are capital in nature are not taxable.

### FOREIGN

Generally, the basis of taxation for a resident and non-resident company is the same. However, a tax resident company can enjoy the benefits of the Singapore tax treaty network, claim foreign tax credits, claim tax exemption on foreign-sourced dividends, foreign branch profits and foreign-sourced service income (subject to certain conditions) and may qualify for the tax exemption scheme for new start up companies.

## TAX RATES

The corporate tax rate is 17 percent. There is a partial tax exemption granted on the first S\$300,000 of normal chargeable income such that the effective tax rate on the first S\$300,000 is 8.36 percent.

## TAX COMPLIANCE

The tax year is referred to as the Year of Assessment. The basis period refers to the financial year (FY) of the company or branch. Singapore taxes income on a preceding year basis.

Taxpayers are required to file an estimated chargeable income (ECI) within three months from the end of their FY for each Year of Assessment. However, the ECI is not required for any particular FY if the taxpayer's annual revenue is not more than S\$1 million for the FY and its ECI is zero.

Corporate income tax returns are due on November 30 for each Year of Assessment. No extensions will be granted after the filing due date.



### ALTERNATIVE MINIMUM TAX

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N/A.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

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#### TAX HOLIDAYS

Tax holidays can be granted and provide for a 0 percent to 15 percent tax rate on qualifying income for high value-add activities to be carried out in Singapore such as high end manufacturing, technology-based products or services, headquarter-type activities, fund management, shipping and commodity trading. Tax holidays are subject to conditions and require approval from the relevant government authorities.

Grants are also available for approved activities such as research and development.

#### TAX RULINGS

No broad based rulings are available. Taxpayers can apply for a private advance ruling that applies to specific issues. Costs will be payable to the Inland Revenue Authority of Singapore (IRAS) to consider the ruling requested.

#### TAX INCENTIVES

See above.

### CONSOLIDATION

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N/A.

### PARTICIPATION EXEMPTION

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Foreign source dividends remitted to Singapore by a tax resident company are tax exempt provided certain conditions are satisfied.

### CAPITAL GAIN

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N/A.

### DISTRIBUTIONS

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Singapore has a one-tier corporate tax system where tax is paid on profits at the company level and can be distributed without incurring additional tax. Dividends paid by a Singapore company are tax exempt to its shareholders.

There is no withholding tax on dividends or branch profits.



### LOSS UTILIZATION

Unabsorbed capital allowances can be carried forward indefinitely and used to set off against future chargeable income, provided that no more than a 50 percent change in the ultimate shareholders has occurred at the relevant test dates (continuity of shareholders test). In addition, the same business test must be satisfied.

Trade losses can be carried forward indefinitely and unabsorbed donations can be carried forward up to five years, subject to the continuity of shareholders test on the relevant test dates.

Unabsorbed capital allowances, trade losses and donations can be carried back, up to \$100,000 to the immediately preceding Year of Assessment. The above tests will also apply.

If the continuity of shareholders test is not satisfied, it is possible to apply for a waiver if the taxpayer can show that the change of shareholders was not made for the purpose of obtaining a tax benefit or advantage.

Current year capital allowances, trade losses and donations can be transferred between group companies.

### TAX-FREE REORGANIZATIONS

Tax-free reorganizations are not applicable as Singapore does not tax capital gain (although *ad valorem* stamp duty is payable on the transfer of shares and immovable property). Stamp duty exemption for an internal reorganization can be sought provided certain conditions are satisfied.

### ANTI-DEFERRAL RULES

N/A.

### FOREIGN TAX CREDITS

Foreign tax credits are available to a tax resident company for foreign taxes paid with respect to foreign source income. The amount of the foreign tax credit is limited to the lower of Singapore tax payable on the net foreign income or the actual foreign tax paid. Any unutilized foreign tax credits are forfeited.

Foreign tax credits can be pooled provided certain conditions are satisfied.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

N/A.

### TRANSFER PRICING

“Arm’s-length” principles are applied under Singapore law with respect to transactions between related entities. Singapore’s transfer pricing rules are generally in line with the OECD guidelines.



### WITHHOLDING TAX

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There is no dividend withholding tax or branch profits tax.

#### **DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.**

In the absence of a tax treaty, the domestic withholding tax rates are as follows: 15 percent for interest, 10 percent for royalties, and 15 percent for rents.

#### **SERVICE FEES**

Technical assistance and service fees or management fees are subject to 17 percent withholding tax to the extent the amounts are attributable to work done or services performed in Singapore.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

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No capital duty. *Ad valorem* stamp duty is payable on the transfer of shares and immovable property. Estate duty has been abolished. There is no gift tax.

### EMPLOYMENT TAXES

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Employers are not required to withhold tax. However, employers are required to withhold all monies due to the employees and file the Form IR21 (Notification of Cessation of Employment) at least one month before the cessation date. This applies to all employees who are on an employment pass or who are Singapore permanent residents leaving Singapore for more than three months.

Employers are required to contribute to the Central Provident Fund (CPF) of employees who are Singaporeans or Singapore Permanent Residents. The Employer CPF contributions are deductible provided the contributions are within the mandatory limits.



# SPAIN

### RESIDENCE AND BASIS FOR TAXATION

A corporation will be tax resident in Spain if: (i) it has been registered under Spanish laws; (ii) it is domiciled in Spain; or (iii) its center of effective management is located in Spain.

#### DOMESTIC

A resident corporation is subject to Spanish tax on its worldwide income. A resident corporation generally is not subject to Spanish tax on the income of its foreign subsidiaries unless an anti-deferral provision applies (i.e., the “CFC” rules).

#### FOREIGN

Foreign corporations are not subject to Spanish tax except on: (i) income effectively connected with the conduct of Spanish trade or business; (ii) taxable income under the Spanish “CFC” rules; or (iii) “look-through” entities. Tax treaties can reduce or eliminate these taxes.

### TAXABLE INCOME

#### DOMESTIC

Taxable income of a domestic corporation is equal to all net income less applicable deductions.

#### FOREIGN

Foreign corporations operating in Spain through a permanent establishment (PE) are subject to Spanish tax at regular tax rates on a net income basis. Branch profits tax may also apply to income repatriated to a foreign person.

### TAX RATES

The general corporate income tax rate is 30 percent. Reduced tax rates of 25 percent, 20 percent, 10 percent and 1 percent are applied to certain corporations.

### TAX COMPLIANCE

The return shall be submitted within 25 days following the next six months after the end of the fiscal year to which the return refers.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

#### TAX HOLIDAYS

N/A.

### TAX RULINGS

No broad-based rulings are available. On certain issues, taxpayers or groups of taxpayers can request a private letter ruling that applies only to the specific issue. These rulings are binding for the Spanish Tax Authorities.

### TAX INCENTIVES

There are several tax reliefs for the engagement in certain activities such as R&D credits, training expenses or reinvestment of profits.

### CONSOLIDATION

Eligible corporations that are affiliated (generally based on at least 75 percent stock ownership or 70 percent stock ownership for listed companies) may elect to file corporate income tax returns on a consolidated basis.

### PARTICIPATION EXEMPTION

Spanish resident corporations are entitled to the application of double tax relief on dividends and capital gain received from domestic subsidiaries. They are also entitled to the participation exemption on dividends and capital gain received from foreign subsidiaries provided the following conditions are met: (i) direct or indirect participation of at least 5 percent, (ii) the subsidiary is subject to corporate income tax in its country of residence, and (iii) the subsidiary carries out a business activity outside Spain.

### CAPITAL GAIN

Capital gain recognized by a corporation is taxed at the same rate as ordinary income (i.e., 30 percent).

### DISTRIBUTIONS

Distributions paid by a corporation are treated as dividends to shareholders to the extent of the current and accumulated earnings and profits. A distribution in excess is treated as a return on capital up to the limit of the shareholder's tax basis and thereafter is treated as taxable income.

### LOSS UTILIZATION

Net operating losses (NOLs) can be carried forward 18 years. Until 2015, the following limitations apply: (i) companies with turnover in the previous fiscal year between €20 million and €60 million can only offset NOLs up to the limit of 50 percent of the taxable base, and (ii) companies with turnover in the previous fiscal year of more than €60 million can only offset NOLs up to the limit of 25 percent of the taxable base.

### TAX-FREE REORGANIZATIONS

A special Spanish tax regime is applied to corporate reorganizations such as mergers and spin-offs. This regime establishes a tax-free scheme for these transactions.

### ANTI-DEFERRAL RULES

Under the controlled foreign corporation (CFC) rules, taxpayers must include in their taxable base profits earned by a foreign company under certain circumstances (*Transparencia Fiscal Internacional*).

### FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits are available for foreign taxes paid. Foreign tax credits are also available for taxes paid by foreign subsidiaries on profits repatriated to domestic corporations.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Non-resident corporations are subject to taxation on the capital gain derived from the sale of real estate properties or real estate companies located in Spain.



### TRANSFER PRICING

“Arm’s-length” principles generally are applied under Spanish law to transactions between related entities. The Spanish rules are in accordance with OECD guidelines.

### WITHHOLDING TAX

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

A 21 percent withholding tax applies to dividends and interest paid by a domestic corporation to a foreign person. Royalties are subject to a 24.75 percent withholding tax. These rates are subject to reduction by an applicable income tax treaty or directive.

#### SERVICE FEES

Withholding tax generally only applies to service fees if the services are performed in Spain.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

Capital duty, stamp duty and transfer tax are applicable.

### EMPLOYMENT TAXES

Employers must withhold income tax. Employers also must pay social security contributions. Social security contributions are deductible by the employer for Spanish income tax purposes.



# SWEDEN

## RESIDENCE AND BASIS FOR TAXATION

### DOMESTIC

Companies that are registered in Sweden or, if no registration is made, are domiciled in Sweden are regarded as unlimited tax liable in Sweden.

### FOREIGN

Companies that are not considered unlimited tax liable in Sweden are treated as limited tax liable in Sweden.

## TAXABLE INCOME

### DOMESTIC

An unlimited tax liable company is taxed on its worldwide income. The taxable income is generally calculated as the total income reduced by the costs generated by the business.

### FOREIGN

A limited tax liable company is taxed on income deriving from a permanent establishment in Sweden and real estate located in Sweden.

## TAX RATES

The corporate income tax rate is 22 percent.

## TAX COMPLIANCE

Both unlimited and limited tax liable persons must submit an income tax return. The income tax return shall generally be submitted with the Swedish Tax Agency within six months after the end of the company's financial year.

## ALTERNATIVE MINIMUM TAX

N/A.

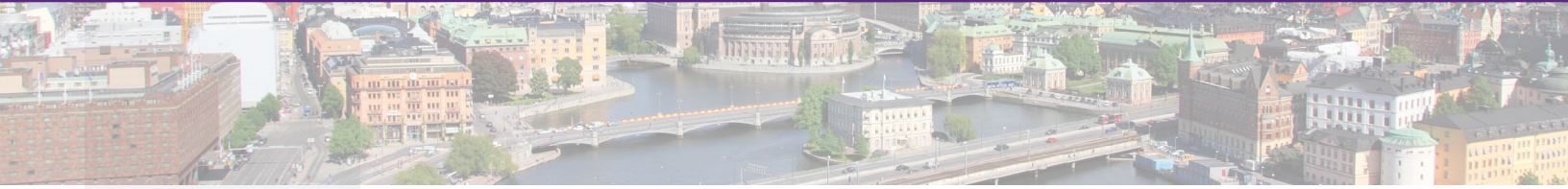
## TAX HOLIDAYS, RULINGS AND INCENTIVES

### TAX HOLIDAYS

N/A.

### TAX RULINGS

Companies may apply for a binding advance ruling concerning a specific tax question with the Swedish National Board of Advance Rulings. The Swedish Tax Agency also offers written tax guidance to a specific question.



### TAX INCENTIVES

Key foreign employees may, during a three-year period, qualify for a 25 percent reduction of the taxable portion of their income when working in Sweden.

### CONSOLIDATION

There is no possibility in Sweden for companies to file corporate income tax returns on a consolidated basis. However, companies belonging to the same group (which applies to share ownership of more than 90 percent of the shares) may exchange group contributions. A group contribution is deductible for the paying company and is taxable for the recipient company.

### PARTICIPATION EXEMPTION

Dividends and capital gain on business-related shares are tax exempt in Sweden.

Dividends and capital gain on unlisted shares in a Swedish company are normally considered business-related unless the shares are classified as current assets or inventory. Generally, the shares should be classified as capital assets. If the shares are listed, the shares must represent 10 percent or more of the voting rights in the company and the shares must have been business-related for a period of at least one year.

If the shares are held in a foreign company, the same requirements apply. However, the foreign company must also be regarded as the foreign equivalent of a Swedish limited liability company.

### CAPITAL GAIN

Please see above section (Participation Exemption). If the participation exemption regime does not apply, the gain will be taxed at the ordinary corporate tax rate of 22 percent.

### DISTRIBUTIONS

Distributions paid by a corporation to a shareholder are normally treated as dividends for tax purposes. A transfer of funds from a shareholder to a company will normally be treated as a conditional or unconditional shareholder's contribution.

### LOSS UTILIZATION

Tax losses can be carried forward indefinitely. Changes in the ownership of a company with tax losses carried forward may result in the tax losses being permanently or temporarily restricted.

### TAX-FREE REORGANIZATIONS

It is possible to transfer assets or a business at tax book value without triggering exit taxation.

Mergers and demergers may also be carried out without triggering any adverse tax consequences.



### ANTI-DEFERRAL RULES

The CFC rules state that a Swedish shareholder with a direct or indirect interest equal to at least 25 percent of the equity or voting rights in certain low taxed foreign legal entities is subject to immediate taxation on its proportionate share of the foreign legal entity's profits. A foreign company is considered low taxed if its income is taxed at a rate below 12.10 percent, calculated under Swedish rules.

Shareholders in companies resident in "approved" countries are, however, not subject to CFC taxation. Approved countries are included in a "white list," which is part of the Swedish Income Tax Act.

### FOREIGN TAX CREDITS

Foreign taxes paid on income subject to Swedish taxation can be credited under the Swedish tax credit system.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Stamp duty may be triggered on the sale of real estate. If the buyer is a legal person, the tax rate is 4.25 percent of the basis. The basis for the tax is the higher of the purchase price and the tax assessment value of the real estate. The buyer and the seller are equally liable to pay the tax, but contractually that liability is normally the buyer's.

### TRANSFER PRICING

The Swedish transfer pricing rules are based on the "arm's-length" principle and the OECD guidelines. Documentation requirements apply to cross-border transactions with affiliated companies.

### WITHHOLDING TAX

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

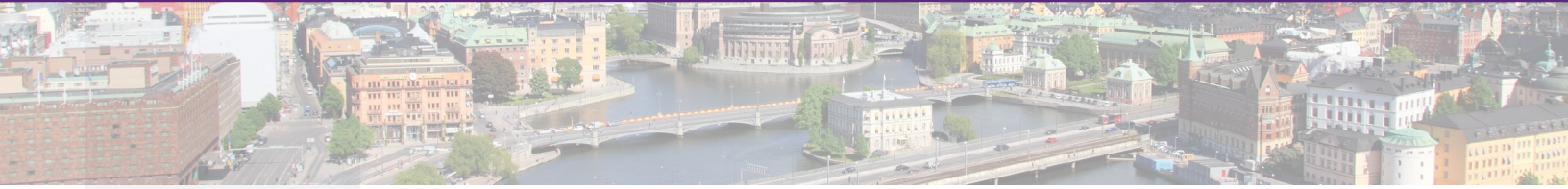
Under the general rule, a dividend payment to a foreign shareholder will be subject to 30 percent withholding tax. However, domestic law contains exemptions from withholding tax under certain conditions:

##### *Exemption 1*

Withholding tax should not be levied on a dividend payment to a legal person within the European Union if such person holds more than 10 percent of the shares in the paying company and fulfills the requirements in Article 2 of the Parent Subsidiary Directive.

##### *Exemption 2*

Withholding tax should not be levied on a dividend payment if the shares are unlisted or, if listed, the recipient holds at least 10 percent of the voting rights in the paying company. The recipient must also fulfill the definition of being a "foreign company" and be the foreign equivalent



of a Swedish limited liability company. Further, in order for the exemption to apply, there is a requirement that the dividend payment should have been tax exempt under the participation exemption regime should the shareholder have been a Swedish limited liability company.

Sweden does not levy withholding tax on interest or royalty payments. However, royalty payments made to non-residents are deemed to derive from a Swedish business and are taxed as income from a permanent establishment in Sweden. Thus, the recipient is taxed in Sweden on the net royalty income at the ordinary corporate income tax rate of 22 percent. Sweden's right to tax royalties may be reduced under an applicable tax treaty.

### **SERVICE FEES**

N/A.

### **CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX**

Stamp duty may be triggered on the sale of real estate. There is no stamp duty or similar on the sale of assets. Sweden does not have transfer tax.

### **EMPLOYMENT TAXES**

Employers are obliged to pay employer's contributions at a rate of 31.42 percent of the total salary. Employers are also obliged to make tax deductions from the salary payments made to the employees.





# SWITZERLAND

## RESIDENCE AND BASIS FOR TAXATION

### DOMESTIC

Corporate taxpayers are resident under Swiss domestic tax laws if either their statutory seat or effective management is in Switzerland.

### FOREIGN

Non-resident companies may be subject to Swiss corporate taxation if they: (i) are partners of a business in Switzerland; (ii) have a permanent establishment in Switzerland; (iii) own Swiss real estate; (iv) have claims secured by a mortgage on Swiss real estate; or (v) act as brokers for Swiss real estate.

## TAXABLE INCOME

### DOMESTIC

Resident companies are subject to corporate income tax on their worldwide income with the exception of income attributable to foreign permanent establishments or foreign immovable property. Such income is excluded from the Swiss tax base and is only taken into account for rate progression purposes in cantons that still apply progressive tax rates.

### FOREIGN

Non-resident companies are subject to tax only on Swiss source income (i.e., income and capital gain derived from Swiss business, permanent establishments or immovable property), whereas income from immovable property includes income from trading in immovable property.

## TAX RATES

Federal corporate income tax is levied at a flat rate of 8.50 percent on profits after tax (i.e., about 7.83 percent on profit before tax).

In addition, each canton has its own tax laws and levies cantonal and municipal income taxes, generally imposed at flat rates.

As a general rule, the combined effective federal, cantonal and communal corporate income tax rate varies between 12 percent to 25 percent on profits before tax.

For associations, foundations and other legal entities as well as investment trusts lower rates might apply.

Equity tax is levied on a cantonal and communal level. The tax rates vary from 0.07 percent to 0.80 percent. On a federal level, no equity tax is levied.

### SPECIAL TAX REGIMES

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Currently, the following tax regimes typically apply in Switzerland:

#### *Holding companies*

In general, holding companies whose main purpose is the administration of investments in other companies (subsidiaries in Switzerland or abroad) enjoy preferential tax treatment on both the cantonal and the federal tax levels. On a cantonal tax level, holding companies are generally exempt from any income tax on profits with the exception of income from Swiss real estate and they pay a reduced tax on equity. Even though the federal direct tax does not recognize the concept of a holding company, full or very substantial tax reductions are granted to qualifying dividend income and qualifying capital gain of holding companies under participation relief.

#### *Mixed companies*

Mixed companies usually provide services to other entities of the group abroad or to third party foreign companies. All cantons generally grant tax privileges to these companies.

A mixed company can only have a limited commercial activity in Switzerland. As a general rule, at least 80 percent of the income from its activities must be derived from non-Swiss sources and a maximum of 20 percent of income may be linked to Swiss sources (i.e., dealings with Swiss counterparties). Many cantons additionally require that at least 80 percent of a mixed company's costs must be related to activities undertaken abroad.

Provided a company qualifies as a mixed company, it may apply for a tax ruling and is entitled to a treatment under which its foreign sourced income is only subject to a combined federal, cantonal and communal effective income tax rate of about 8 percent to 12 percent.

Income from Swiss sources is taxed at the normal rate. Certainly, a portion of foreign source income is subject to cantonal and municipal income taxes depending on the degree of business activity carried out in Switzerland.

#### *Principal structures*

Principal companies are companies which manage, by the means of subsidiaries and affiliates, trade transactions abroad on a commission basis and conclude production contracts with such companies.

The taxation of principal companies at the federal level takes place in accordance with Circular No. 8 of the Swiss Federal Tax Administration dated December, 18, 2001. A principal company based in Switzerland can allocate 50 percent of distribution profits to a deemed permanent establishment abroad. If the principal company also has production abroad, 30 percent of the company's production profit would be attributed to the Swiss principal company and 50 percent of the remaining 70 percent of distribution profit would be attributed abroad.

At the cantonal level, principal companies are usually taxed as mixed companies.

These features can lead to an overall combined federal, cantonal and communal income tax of approximately 4 percent to 7 percent.

### *Tax Holidays*

See below (Tax Holidays, Incentives and Rulings – Tax Holidays).

### *License Box*

The Canton Nidwalden implemented a “license box” regime on January 1, 2011, and is the only canton with this regime, which provides that a company having a certain degree of local substance that only manages its IP rights and grants licenses may be subject to income tax at an overall effective tax rate of 8.80 percent (including federal tax). The definition of “qualifying license income” for the license box regime of Canton Nidwalden is generally based on the OECD model tax convention definition of licenses and is broad.

## **TAX COMPLIANCE**

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All corporate taxpayers have to file a tax return at the end of their fiscal year.

## **ALTERNATIVE MINIMUM TAX**

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In half of the cantons, instead of corporate income tax, a minimum tax is paid, provided such minimum tax exceeds the corporate income tax otherwise due. There are no minimum taxes on a federal level.

## **TAX HOLIDAYS, INCENTIVES AND RULINGS**

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### **TAX HOLIDAYS**

On a federal level, the confederation may provide incentives by way of tax reductions to enterprises which establish themselves in certain areas of the country that are economically underdeveloped. In addition, federal aid may be granted as security on commercial loans and/or as a contribution to the payment of interest on such loans. However, such concessions are only available if the enterprise establishes itself in certain parts of the country.

### **TAX INCENTIVES**

On a cantonal level, business incentives may be granted for cantonal and communal income tax purposes in connection with new business activities in the canton. Business incentives may be obtained for creating a new presence which has particular economic interest for the canton. The new business activity also must not be in direct competition with existing local businesses. Lastly, and perhaps most importantly, business incentives are generally granted in connection with the creation of new local jobs. The number of jobs which need to be created to benefit from business incentives are generally quite low (e.g., beginning at 10 to 20 jobs in most cantons). Business incentives are obtained by negotiation with the competent cantonal authorities. Incentives may include up to a full or partial ten year tax holiday on a cantonal/communal level as well as low interest loans on new buildings and easy access to work permits.

### **TAX RULINGS**

Tax rulings are available for almost every aspect of taxation.

### CONSOLIDATION

Switzerland does not have a tax consolidation system and hence separate entity taxation applies for income tax purposes. The Swiss VAT Act provides for group taxation for VAT purposes.

### DISTRIBUTIONS

A federal 35 percent dividend withholding tax is levied at the source on the gross amount of dividend distributions made by Swiss companies. These withholding taxes can be reclaimed or be exempted at source depending on the applicable treaty.

### LOSS UTILIZATION

Unused losses can be carried forward seven years.

### TAX-FREE REORGANIZATIONS

Group reorganizations are governed by Swiss merger law. Provided certain prerequisites are met, reorganizations are possible on a tax-neutral basis, as long as the applicable tax accounting values of assets and liabilities remain the same and the assets remain in Switzerland after the reorganization.

### ANTI-DEFERRAL RULES

Switzerland does not have anti-deferral rules such as controlled foreign corporation (CFC) rules. Note, however, that under recent Swiss court decisions, passive companies located in offshore jurisdictions have been treated as Swiss tax resident, resulting in taxation in Switzerland similar to CFC taxation.

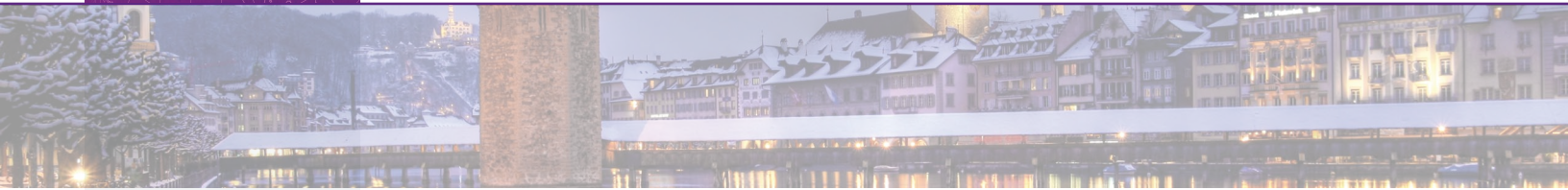
### FOREIGN TAX CREDITS

Switzerland primarily applies the tax exemption method in its tax treaties. On certain income streams (dividend, interest and license fees), source tax may be credited against the tax levied in Switzerland.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Capital gain on Swiss immovable property is subject to a special cantonal real estate gains tax or to ordinary corporate income tax depending on the system that is applied in the canton where the immovable property is located.

Moreover, about half of the cantons levy a special wealth tax on real estate. This tax is due every year in addition to the general wealth tax. The tax is levied at the place where the property is situated and is assessed on the market or taxable value of the real estate without allowing for the deduction of debts. The applicable tax rates are between 0.03 percent and 0.30 percent.



### TRANSFER PRICING

“Arm’s-length” principles generally apply. Switzerland uses the methods published in the OECD Transfer Pricing Guidelines and has no detailed transfer pricing legislation.

### WITHHOLDING TAX

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

Swiss withholding tax is a federal tax levied on certain types of investment income from Swiss sources, including dividends and interest payments. Royalties, management fees and interest payments on certain loans are not subject to withholding tax. The withholding tax is levied at a flat 35 percent rate, subject to reduction under an income tax treaty.

#### SERVICE FEES

Service fees are not subject to withholding tax.



### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

The tax on issued securities (also called stamp issuance duty) is one percent of the nominal share capital with exemption for the first CHF 1 million. This exemption is applicable for the establishment of corporations and for increases in capital up to CHF 1 million. The tax base is equal to the amount paid in exchange for the remittance of the shares (i.e., the nominal value and capital surplus). Issuance stamp tax is not due on share issues related to mergers, demergers or similar transactions.

Transfer stamp tax is levied on the transfer of ownership of certain securities which involve Swiss securities dealers. Swiss securities dealers include banks, fund managers and similar entities, but also ordinary companies which own taxable securities (e.g., shares or bonds) with a book value in excess of CHF 10 million. The tax rate is 0.15 percent for Swiss securities and 0.30 percent for foreign securities. A variety of exemptions apply and these exemptions need to be checked on a case-by-case basis.

In most cantons, the transfer of real estate is subject to a conveyance tax, whereas on the federal level no taxes of such kind are levied. As a general rule, conveyance tax is assessed on the purchase price or the taxable value of the real estate and is typically paid by the purchaser of the real estate.

### EMPLOYMENT TAXES

All B-permit holders and foreign employees with no residence in Switzerland are taxed at source and the employers must withhold the income tax. All other individuals have to fill in a tax return and are subject to tax on their worldwide income if they have their permanent or temporary residence in Switzerland.



# TAIWAN

## RESIDENCE AND BASIS FOR TAXATION

A company (including a subsidiary of a foreign company) formed in Taiwan will be treated as a Taiwan company.

### DOMESTIC

A Taiwan company is subject to Taiwan income tax on its worldwide income.

### FOREIGN

A company with its head office outside Taiwan (including a foreign company with a branch office in Taiwan) is considered a foreign company for tax purposes, though the Taiwan branch itself is considered as a domestic profit-seeking enterprise.



## TAXABLE INCOME

### DOMESTIC

The taxable income of a domestic company is its worldwide net income, which is defined as gross annual income less costs and expenses, losses and taxes.

### FOREIGN

A foreign company is subject to income tax only on its Taiwan-source income, which is either computed in the same manner as a Taiwan company or subject to withholding tax at a prescribed rate.

## TAX RATES

Income tax is assessed at a rate of 17 percent and the threshold for subjecting a Taiwan company to corporate income tax is NT\$120,000.00 per annum.

## TAX COMPLIANCE

A domestic company must file tax returns and pay any tax liabilities during the fifth month after the close of its fiscal year.

A domestic company must pay provisional income tax in an amount equal to 50 percent of the preceding year's tax liability during the ninth month after the close of its fiscal year. However, if the company meets certain conditions, the company can opt to pay the provisional tax at an amount calculated on the basis of its operating income for the first six months of the current fiscal year.

Although Taiwan does not have a codified general anti-tax avoidance rule, Taiwan does employ the concept of substance-over-form, whereby the economic substance of a transaction will be considered.

### ALTERNATIVE MINIMUM TAX

According to the Taiwan Income Basic Tax Act, a domestic company or a foreign company with a fixed place of business/permanent establishment or business agent in Taiwan (PE) is subject to a separate alternative minimum tax (AMT) if it earns certain income that is tax exempt or enjoys certain tax incentives and the company's basic income exceeds NT\$500,000.00. The AMT rate is 12 percent. If the company's regular income tax is greater than the AMT, no special action is required. If the AMT tax liability is greater than the regular income tax, the company is required to calculate and pay AMT.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

A taxpayer may apply to the tax authorities for advance tax rulings to clarify its tax issue or confirm its tax position.

#### TAX INCENTIVES

Taiwan offers certain tax incentives in order to promote economic development in certain industries, especially in R&D investments. Certain tax incentives are provided to investors if they are located in prescribed areas such as science parks, bonded zones and free trade zones.

### CONSOLIDATION

Consolidated returns may be filed by qualified financial holding companies that hold at least 90 percent of the outstanding issued shares of a Taiwan company for 12 consecutive months during a tax year. After a qualified merger, acquisition or spin-off transaction, a company owning 90 percent or more of the total issued shares of another company may file a consolidated return.

### PARTICIPATION EXEMPTION

N/A.

### CAPITAL GAIN

Taiwan does not impose a separate capital gain tax (*i.e.*, gains from the sale of securities and futures transactions are exempt from income tax). However, a domestic company or a foreign company with a PE in Taiwan is required to include any gains arising from securities and futures transactions in its AMT calculation in accordance to the Income Basic Tax Act.

A 10 percent profit retention tax is imposed on undistributed profits. Nonresident shareholders (both corporations and individuals) may use this 10 percent profit retention tax as an offset against dividend withholding tax.

### DISTRIBUTIONS

Taiwan operates an imputation tax system to ensure that dividends received by resident individual shareholders are taxed only once, as part of their individual income. For resident individuals, the gross dividend received is included in such individual's taxable income, and the associated imputation tax credit (for the corporate tax paid by the company distributing the dividend) can be used to offset the individual's income tax liability. Any excess credit is refundable to resident individuals.

For non-resident shareholders, dividends received are subject to 20 percent withholding tax, absent an available tax treaty for a reduced rate.

The dividends received by a domestic company from its investment in another domestic company are not included in the first-mentioned domestic company's taxable income.

If a Taiwan company invests in foreign companies, dividends declared by such foreign companies must be included in the domestic company's taxable income, but any foreign tax credits may be used.

### LOSS UTILIZATION

Tax losses (for Taiwan companies and Taiwan branch offices of foreign companies) may be carried forward for 10 years if such company meets certain conditions. Losses may not be carried back.

### TAX-FREE REORGANIZATIONS

Qualified M&A transactions may be afforded tax-free treatment according to the Business Mergers and Acquisitions Act.

### ANTI-DEFERRAL RULES

N/A.

### FOREIGN TAX CREDITS

A foreign tax credit is available for income tax paid in other countries on income derived outside of Taiwan and may be used to offset the foreign tax paid against a Taiwan company's tax liability.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

According to the Business Mergers and Acquisitions Act, stamp duty, deed tax, VAT and the Land Value Increment Tax are exempt under certain M&A transactions if they involve the sale and purchase of real property.



### TRANSFER PRICING

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Certain transactions between related parties (e.g., where there is direct or indirect “substantive management control,” material influence or control over a board of directors) must be conducted on “arm’s-length” terms.

### WITHHOLDING TAX

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#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

In general, Taiwan-sourced dividends, other profit distributions, interest income, rental income and royalties earned by foreign companies are subject to withholding tax at 20 percent. However, Taiwan has entered into tax treaties with 8 countries, resulting in reduced tax rates.

#### SERVICE FEES

Service fees are normally subject to a 20 percent withholding tax if considered Taiwan-source income, though apportionment of fees (i.e., where only part of the service fees are Taiwan-source income) is possible. A company having its head office outside Taiwan which is engaged in technical services in Taiwan for which the costs and expenses are difficult to calculate may apply for approval to treat 15 percent of its total service fees as income derived in Taiwan, which if taxed at the 20 percent rate, would effectively reduce the tax rate to 3 percent.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

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**Capital Duty:** A registration fee is charged on a company’s capital at a rate of NT\$1.00 for every NT\$4,000.00 capital.

**Stamp Duty:** Stamp duty applies to various documents at different rates.

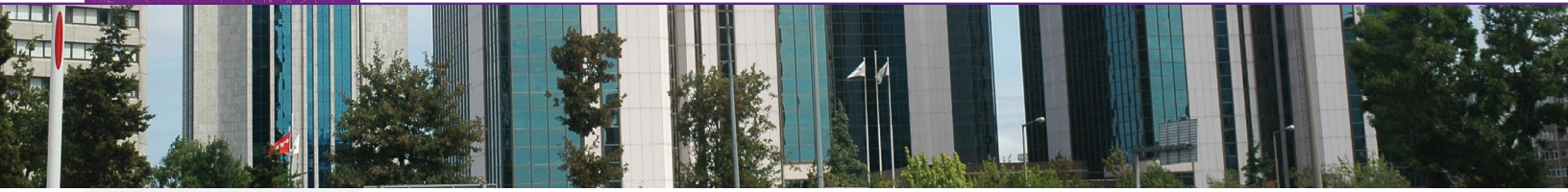
**Securities Transaction Tax:** 0.30 percent on gross proceeds from the sale of shares issued by Taiwan companies and 0.10 percent on gross proceeds from trading in corporate and financial bonds (though temporarily exempt) and other securities.

**Luxury Tax:** The luxury tax is imposed on the sale of real property held for less than two years or import of passenger vehicles, yachts, aircraft helicopters and light vehicles that cost more than NT\$3 million.

### EMPLOYMENT TAXES

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An employer must withhold income tax from its payment of salaries to its employees. Also, an employer is required to make partial payments of premiums for national health insurance for its employees, which include regular premium plus supplementary premium based on salaries and other payments to the employees.



# TURKEY

## RESIDENCE AND BASIS FOR TAXATION

A corporation formed in a Turkey will be treated as a domestic corporation. Incorporated companies, cooperatives, public economic enterprises, economic enterprises of associations and foundations and business partnerships are subject to corporate income tax in Turkey.

### DOMESTIC

Domestic corporations are subject to taxation on their worldwide income. A domestic corporation generally is not subject to taxation in Turkey on the income of its foreign subsidiaries unless an anti-deferral provision (i.e., CFC rules) applies. Turkish CFC rules generally are more strict than CFC rules in other jurisdictions.

### FOREIGN

Foreign corporations shall only be taxed over their income acquired in Turkey. Tax treaties can reduce or eliminate these taxes.

## TAXABLE INCOME

### DOMESTIC

Taxable income of a domestic corporation is equal to all gross income less applicable deductions.

### FOREIGN

Unless otherwise stated, the provisions that apply to domestic corporations regarding taxable income shall also apply to foreign corporations. In addition, non-deductible expenses for foreign corporations are separately regulated in Corporate Tax Law.

## TAX RATES

Corporations are subject to corporate tax at the rate of 20 percent on their corporate income.

## TAX COMPLIANCE

Domestic corporate income tax returns are due by the 25th day of the fourth month after the end of the fiscal year.

## ALTERNATIVE MINIMUM TAX

N/A.

## TAX HOLIDAYS, RULINGS AND INCENTIVES

### TAX HOLIDAYS

N/A.

### TAX RULINGS

No broad-based rulings are available. On certain issues, taxpayers can request a private letter ruling that applies only to the specific issue.

### TAX INCENTIVES

It is possible to benefit from tax incentives in Turkey, such as; (i) Exclusion of Investment Deduction; (ii) Deduction of Research and Development; (iii) Gain Exclusion on Education and Instruction Businesses; (iv) Incentive of Value Added Tax in Vehicles, Oil Searching and Incentive Certificated Investments; (v) Tax Incentives in Industrial Zones; (vi) Tax Incentives in Technology Developing Zones; (vii) Tax Incentive Applied in Free Zones; (viii) Tax Incentive Applied in Emergency Zone and Priority Development areas; (ix) Tax Incentive Applied in Organized Industrial Zones; (x) Tax and Fees Exclusion in Providing Credits; (xi) Tax Incentives for Rising of Investment and Employment; and (xii) Tax Incentives for Cultural Investments and Enterprises.

### CONSOLIDATION

N/A.



### PARTICIPATION EXEMPTION

Dividends paid by resident companies to other Turkish companies are exempt from corporate income tax. Dividends received from non-resident companies are exempt from corporate tax if certain conditions regulated by law are satisfied.

### CAPITAL GAIN

Capital gain derived by corporations are generally taxed as ordinary income. However, 75 percent of capital gain derived from the sale of properties, participation shares, founders' shares, preference shares and preferred rights are exempt from corporate tax if certain conditions are satisfied.

### DISTRIBUTIONS

Distributions paid by a corporation generally may be treated as dividends to shareholders.

### LOSS UTILIZATION

Tax losses can be carried forward five years.

### TAX-FREE REORGANIZATIONS

Tax-free mergers, spin-offs and partial spin-offs are achievable provided that certain conditions are satisfied.

### ANTI-DEFERRAL RULES

The corporate income of resident persons and resident corporations that is acquired from their affiliates abroad that are controlled by them separately or jointly and directly or indirectly (by virtue of having at least 50 percent of the shares or the voting rights) shall be subject to corporate tax in Turkey, if all conditions regulated by law are met.

### FOREIGN TAX CREDITS

Foreign taxes may be credited against Turkish corporate income tax.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

The income derived from the sale of real properties that corporations have held for at least two full years are exempt from corporate tax (75 percent of the income) and VAT if all the conditions stated in law are satisfied.



### TRANSFER PRICING

“Arm’s-length” principles generally are applied under Turkish tax legislation to transactions between related entities. The Turkish rules are similar in many respects to the OECD guidelines, with certain material differences.

### WITHHOLDING TAX

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

The rates stated below are the statutory rates. Other rates may apply under double taxation treaties.

15 percent withholding tax applies to dividends.

20 percent withholding tax applies to royalties.

0 to 10 percent withholding tax applies to interest.

20 percent withholding tax applies to rents paid by a domestic corporation to a foreign person.

#### SERVICE FEES

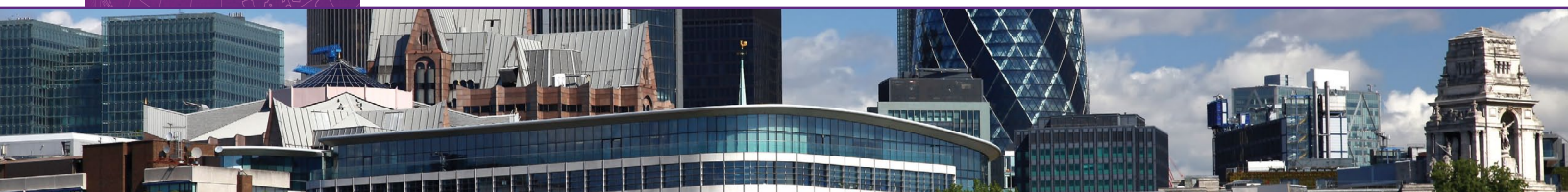
20 percent withholding tax applies to service fees. However, in order to apply withholding tax to service fees, the service must be performed in Turkey.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no capital duty. Stamp duty may be imposed. Inheritance and transfer tax applies to gratuitous transfers.

### EMPLOYMENT TAXES

Employers must withhold income tax and stamp tax on salaries of employees.



# UNITED KINGDOM

## RESIDENCE AND BASIS FOR TAXATION

A company will be treated as a UK resident if it is formed in a UK jurisdiction or managed and controlled (at the board level) in the UK.

### DOMESTIC

A resident company is subject to UK corporate tax on its worldwide income and gains (subject to relief for any tax paid on the same income or gains in other jurisdictions) The company may elect to leave out of account all profits and losses arising from branches outside the UK.

### FOREIGN

A non-resident company is not subject to UK tax except on: (i) income from a business carried on through a UK permanent establishment; (ii) other UK source income, but only to the extent of any withholding tax borne by that income (see below); and (iii) capital gain on arising on disposals of certain UK assets only (see below).

## TAXABLE INCOME

### DOMESTIC

Taxable income of a resident company is equal to all gross income and gains less applicable deductions.

### FOREIGN

Taxable income of a non-resident company is equal to the gross income of the business carried on through the UK permanent establishment less any deductions applicable to that UK business.

## TAX RATES

The standard corporate tax rate is 21 percent until March 2015 or 20 percent for smaller companies. There will be a flat 20 percent rate from 1 April 2015.

## TAX COMPLIANCE

Corporate tax returns are due within twelve months of the end of a company's accounting period, and the tax should be paid within nine months of the end of that accounting period. UK companies can choose the date which marks the end of their accounting period, December 31 and March 31 are common, but any date can be chosen.

Larger companies are required to make quarterly payments in respect of corporate tax: the first payment is due six months and thirteen days after the start of the company's accounting period (based on an estimate of the year's profits), and the final payment is due three months and 14 days after the end of the company's accounting period.



### ALTERNATIVE MINIMUM TAX

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N/A.

### TAX HOLIDAYS, RULINGS AND INCENTIVES

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#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

No broad-based rulings are available. On certain issues, taxpayers can request a private letter ruling that applies only to the specific issue.

#### TAX INCENTIVES

There are tax incentives for specific activities and behaviors, including R&D credits and enhanced deductions for expenditure on certain types of environmentally-friendly installations or for investment in economically deprived parts of the UK. The patent box regime will offer a reduced effective 10 percent rate of corporate tax for income from certain IP which is developed or managed in the UK.



### CONSOLIDATION

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Eligible corporations may enter into a “group payment arrangement,” whereby one company makes itself responsible for administering the corporate tax affairs of all members of the group. However, all UK companies are required to file separate corporate tax returns and calculate their respective liabilities separately.

### PARTICIPATION EXEMPTION

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Almost all dividends received from foreign subsidiaries are exempt from corporate tax except where anti-avoidance legislation applies. Capital gain recognized on the sale of shares in foreign or UK subsidiaries are exempt from tax provided that: (i) both the selling company and the subsidiary are trading companies (i.e. one whose income is substantially derived from activities other than passive investment) or holding companies of a trading sub-group; and (ii) the selling company has held the shares in the subsidiary for at least twelve months in the last two years.

### CAPITAL GAIN

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Capital gain recognized by a company is taxed at the same rate as ordinary income. Capital loss may reduce capital gain but not ordinary income. Certain types of profits and losses—those from debt and intellectual property—are always treated as income under special regimes which reflect the accounting treatment of those types of assets.

Capital gain realized by non-residents are not taxed in the UK, even if they arise on the disposal of UK assets, unless the asset is used for the purpose of a trade carried on by the realizer through a UK permanent establishment.

### DISTRIBUTIONS

Distributions paid by a UK company are generally treated as dividends to shareholders. UK company law forbids distributions which exceed accumulated realized profits and restricts a company's ability to repay capital, which generally requires a court order. A return of capital to shareholders is therefore unusual in the UK.

### LOSS UTILIZATION

Net operating losses can be carried forward indefinitely provided the company carries on the same business, and can be carried back one year (or in certain limited circumstances up to three years). Losses can also be surrendered between group companies provided that they are utilized in the year in which they arose.

### TAX-FREE REORGANIZATIONS

Many forms of group reorganization can be achieved on a tax-free basis, due to a combination of reliefs, principally an automatic deferral of corporate tax on transfers of capital assets (including shares) between two UK resident group companies, and relief where shares are transferred in consideration of an issue to the transferor of shares or loan notes in the transferee.

### ANTI-DEFERRAL RULES

Under the UK controlled foreign company (CFC) rules, a UK resident company may be taxed on the income of its foreign subsidiary. The scope of these rules is intended to be limited to situations where UK-source income has been artificially diverted into an overseas, low tax jurisdiction, particularly tax havens.

### FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits are available for foreign taxes paid. In the relatively rare situations where dividends received from overseas subsidiaries are not completely exempt from UK corporate tax, the amount of tax payable on the dividend will be subject to a credit for foreign tax paid or withheld by the subsidiaries (subject to a cap to combat certain avoidance structures).

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

An additional annual tax charge (the annual tax on enveloped dwellings or ATED) is made on companies which own or control very expensive residential property (i.e., more than £2 million). Various exemptions apply to companies which develop, lease or trade property or use the property for other business purposes which should have the effect of restricting the charge to companies which are used to avoid tax on the private homes of high net worth individuals. The amount of the charge varies from £15,000.00 to £140,000.00 according to the value band into which the house falls. Certain capital gain incurred by such companies on the sale of high value residential property is also subject to capital gain tax at 28 percent.



### TRANSFER PRICING

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“Arm’s-length” principles generally are applied under UK law to transactions between related entities. The UK rules generally follow OECD principles.

### WITHHOLDING TAX

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#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

There are no withholding taxes on dividends paid by a UK company to any shareholder.

A 20 percent withholding tax applies to royalties, yearly interest and rents paid by a UK resident company to a non-resident person who is not a corporate taxpayer, subject to reduction under an applicable income tax treaty.

It is frequently possible to structure loan arrangements so that payments equivalent to interest fall outside the definition of yearly interest (such as the use of discounted bonds). Interest payable on a loan instrument listed on a recognized stock exchange is not subject to any withholding.

#### SERVICE FEES

Certain payments for construction services provided in the UK are subject to a form of withholding tax at either 30 percent or 20 percent unless the party providing the service is registered for gross payment.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

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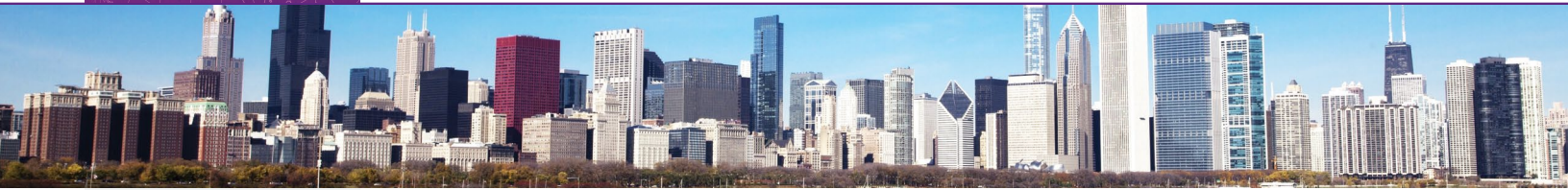
No capital duty. Stamp duty is payable at 0.50 percent on transfers of shares, but there is an exemption for most transactions within groups. Transfers of real estate are subject to a transfer tax (SDLT or its Scottish equivalent LBTT) at rates of up to 4 percent for non-residential property (or 4½% in Scotland). Higher graduated rates of up to 12 percent apply to some transfers of residential property with values in excess of £937,500 (£640,000 in Scotland), and a punitive 15 percent rate applies to acquisitions of residential property (other than in Scotland), by certain companies.

### EMPLOYMENT TAXES

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Employers must withhold income tax (i.e., pay as you earn or PAYE) and a social security tax (i.e., primary national insurance contributions). Employers must also pay secondary national insurance contributions. Secondary contributions are deductible by an employer for UK corporate tax purposes, but it is not permitted to recover them from the employee. There are no withholding obligations at a local level in the UK.





## UNITED STATES

### RESIDENCE AND BASIS FOR TAXATION

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A corporation formed in a US jurisdiction will be treated as a domestic corporation.

#### DOMESTIC

A domestic corporation is subject to US tax on its worldwide income. A domestic corporation generally is not subject to US tax on the income of its foreign subsidiaries until it is repatriated unless an anti-deferral provision applies (i.e., the CFC or PFIC rules).

#### FOREIGN

Foreign corporations generally are not subject to US tax except on (i) income effectively connected with the conduct of a US trade or business; and (ii) certain FDAP (generally passive) income from US sources. Tax treaties can reduce or eliminate these taxes.

### TAXABLE INCOME

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#### DOMESTIC

Taxable income of a domestic corporation is equal to all gross income less applicable deductions.

#### FOREIGN

Effectively connected income is subject to US tax at regular tax rates on a net income basis. In addition, a branch profits tax at a rate of 30 percent may apply to foreign corporations operating through a branch in the US. Gross FDAP income is taxed at a flat 30 percent rate and cannot be reduced by deductions. Tax treaties can reduce or eliminate these taxes.

### TAX RATES

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Graduated federal income tax rates start at 15 percent with a top rate of 35 percent. State and local taxes also may apply.

### TAX COMPLIANCE

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Domestic corporate income tax returns are due on the 15th day of the third month after the end of the tax year. A taxpayer may also file for a six-month extension of the due date.

### ALTERNATIVE MINIMUM TAX

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Every domestic corporation is subject to alternative minimum tax (AMT). A corporation pays the greater of its regular tax liability and its AMT tax liability. Foreign corporations are subject to AMT on taxable income that is effectively connected with the conduct of a US trade or business.



### TAX HOLIDAYS, RULINGS AND INCENTIVES

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#### TAX HOLIDAYS

N/A.

#### TAX RULINGS

No broad-based rulings are available. On certain issues, taxpayers can request a private letter ruling that applies only to the specific issue.

#### TAX INCENTIVES

There are tax incentives for specific activities, including R&D credits and deductions for certain US production activities.

### CONSOLIDATION

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Eligible corporations that are affiliated (generally based on at least 80 percent stock ownership) may elect to file corporate income tax returns on a consolidated basis.

### PARTICIPATION EXEMPTION

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In general, there is no participation exemption for dividends received from, or capital gain recognized on, the stock of foreign subsidiaries. If ownership requirements are satisfied, a dividends received deduction applies to dividends received from domestic corporations.

### CAPITAL GAIN

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Long-term capital gain of non-corporate tax payers may be eligible for reduced tax rates. Capital gain recognized by a corporation is taxed at the same rate as ordinary income. Capital loss may reduce capital gain but not ordinary income.

### DISTRIBUTIONS

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Distributions paid by a corporation are treated as dividends to shareholders to the extent of the current and accumulated earnings and profits (E&P) of the payor corporation. A distribution in excess of current and accumulated E&P is treated as a return of capital to the extent of a shareholder's tax basis and thereafter is treated as capital gain.

### LOSS UTILIZATION

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Net operating losses can be carried forward 20 years and back two years.

### TAX-FREE REORGANIZATIONS

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Qualifying corporate formations, combinations and divisions may be tax-free to a participating corporation and its shareholders, except to the extent of any non-qualifying property received (i.e., "boot"). Special rules apply to cross-border reorganizations.

### ANTI-DEFERRAL RULES

#### CFC

Under the controlled foreign corporation (CFC) rules, a domestic corporation may be subject to tax on a current basis on Subpart F income of a foreign subsidiary.

#### PFIC

Under the passive foreign investment company (PFIC) rules, a foreign corporation may be treated as a PFIC if the percentage of its gross income or assets that are treated as passive exceeds certain thresholds. A shareholder of a PFIC may be subject to current US tax and other unfavorable tax consequences on gain from the sale of PFIC stock and on certain distributions from a PFIC.

### FOREIGN TAX CREDITS

Subject to limitations, foreign tax credits are available for foreign taxes paid. An “indirect” foreign tax credit also may be available for taxes paid by foreign subsidiaries on profits repatriated to domestic corporations.

### SPECIAL RULES APPLICABLE TO REAL PROPERTY

Under the Foreign investment in Real Property Act (FIRPTA), any gain recognized by a foreign person on a disposition of stock of a domestic corporation that is treated as a United States Real Property Holding Corporation may be taxable as effectively connected income, taxable on a net income basis at regular US income tax rates.

### TRANSFER PRICING

Arm’s-length principles generally are applied under US law to transactions between related entities. The US rules are similar in many respects to the OECD guidelines, with certain material differences.

### WITHHOLDING TAX

#### DIVIDENDS, ROYALTIES, INTEREST, RENTS, ETC.

A 30 percent withholding tax applies to dividends, royalties, interest, rents and other FDAP income paid by a domestic corporation to a foreign person, subject to reduction or elimination by an applicable income tax treaty.

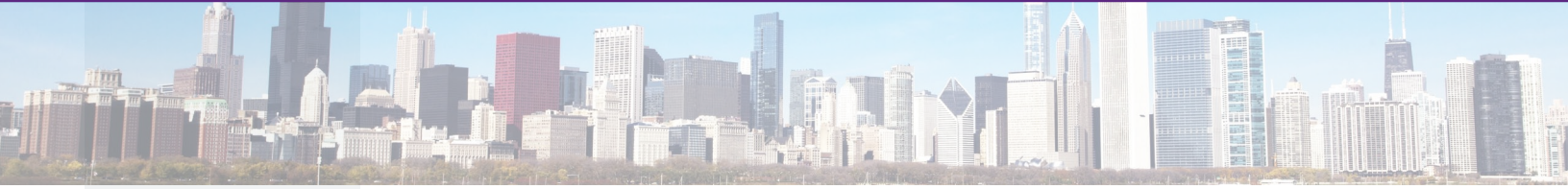
#### SERVICE FEES

Withholding tax may apply to service fees if the services are performed in the United States.

### CAPITAL DUTY, STAMP DUTY AND TRANSFER TAX

There is no capital duty. Stamp duties and transfer taxes may be imposed at the state or local level.





### EMPLOYMENT TAXES

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Employers must withhold federal income tax. Employers also must pay social security tax, Unemployment tax and Medicare tax in respect of compensation paid to employees. These taxes Are deductible by an employer for US income tax purposes. Other withholding obligations and Taxes may apply at the state or local level.





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