MAY 2016 ISSUE 20
WWW.BDOINTERNATIONAL.COM

# EXPATRIATE NEWSLETTER

**AUSTRALIA**
HELP repayments and non-residents
READ MORE 3

**HUNGARY**
Practical information for expats assigned to Hungary
READ MORE 6

**UNITED KINGDOM**
Short term business visitors
READ MORE 13

# SWEDEN

## 2016 TOPICAL UPDATE

### Collective agreements

In Sweden many employees are covered by collective bargaining agreements. In 2016 more than 470 of these agreements are to be renegotiated, hence employers that are party to collective agreements should monitor any changes that may need to be implemented into payroll going forwards.

### Social security rates

2015 saw Social Security become a hot topic for payroll as there were numerous in-year changes in applicable rates. The amendment of the system is set to continue in 2016 as reduced rates for certain age groups either change or are phased out. As of 1 January a new rate applies for employees aged over 64. The rate for employees born between 1938 and 1950 is 16.36% whilst the rate for employees born in 1937 or earlier is 6.15%. The rates for employees born in 1991 or later will also be subject to further change as the rebate for this age group is phased out by 31 May. This means that for the period January to May 2016 a reduced rate of 25.46% applies whilst from June onwards the standard rate of 31.42% is applicable.

### Price base calculations

Swedish payroll and tax calculations are often based on standardised price base amounts. This often applies to non-cash benefit valuations and tax per diem allowance thresholds. The price base amounts are also used for calculation of pension entitlements and remuneration from social welfare.

There are three different price base amounts – price base, increased price base and income base – that are used for different purposes and determined on an annual basis. For 2016 the following amounts apply:

For example the maximum income recognised for nation pension entitlement (PGI) is 8.07 times the income base amount (IBB) and for sick leave benefit (SGI) is 7.5 times the price base amount (PBB). For 2016 this means that the maximum pensionable income is SEK 478,551 whilst the maximum income qualifying for sick leave benefits is SEK 332,250.

### Attendance reporting on building sites

In order to prevent tax avoidance or other illegal practices, the Swedish Tax Agency has implemented attendance reporting in certain lines of businesses. As part of this digital attendance reporting is compulsory in the construction industry as from January 2016.

### Guidance on Öresund commuters from Sweden to Denmark

On 16 February 2016, the Danish tax authorities issued guidance on persons commuting from Sweden to Denmark via the Öresund Bridge and some other special groups (including for example pensioners who reside in Sweden and receive pension benefits from Denmark). The guidance includes information on how to obtain the necessary documents (such as e.g. a Danish ID number), tax liability in Denmark, applicable tax rates and personal reliefs available for 2015 and 2016 and the tax treatment of special groups (e.g. seamen, flight personnel, temporary workers, students doing traineeships and pensioners).

It also explains the two taxation options available for Swedish Öresund commuters to Denmark as such commuters may under certain circumstances choose between limited tax liability in Denmark and taxation under a special regime for cross-border commuters.

| | | |
|---|---|---|
| – Price base (PBB) | SEK 44,300 | e.g. car benefit valuation |
| – Increased price base (FPBB) | SEK 45,200 | e.g. for pension points |
| – Income base (IBB) | SEK 59,300 | e.g. for pension entitlements |

## CONTENTS

# EDITOR'S LETTER

The BDO Expatriate Newsletter provides a brief overview of issues affecting international assignees, predominantly, but not exclusively, from a tax and social security perspective.

This newsletter brings together individual country updates over recent months. As you will appreciate, the wealth of changes across multiple jurisdictions is significant so to provide easily digestible information we have kept it to the key developments that are likely to affect your business and international assignees.

For more detailed information on any of the issues or how BDO can help, please contact me or the country contributors direct.

**ANDREW BAILEY**
andrew.bailey@bdo.co.uk
+44 207 893 2946



Read more at **www.bdointernational.com**

### Proposal regarding qualified stock options programs

A commission appointed by the Swedish Government has proposed changes in legislation for incentive programs that would allow for certain stock option programs to be regarded as qualifying.

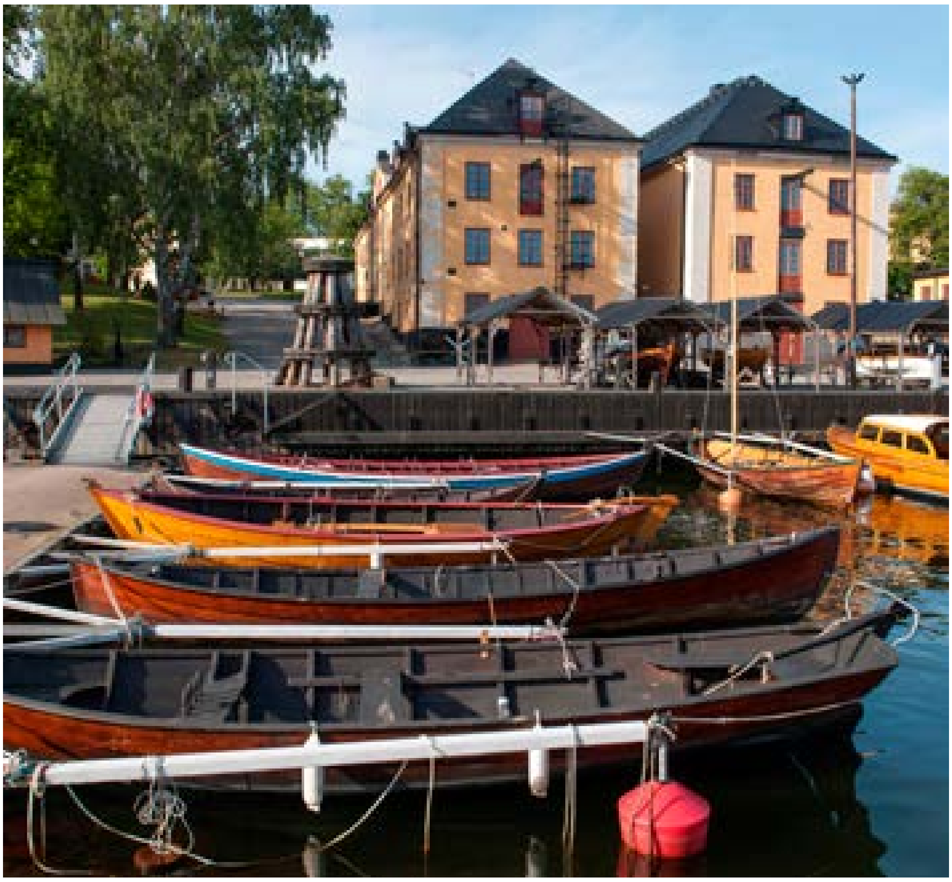
According to the proposal, vesting of qualified stock options would not be a taxable event, neither would exercise. Hence, under the proposed rules, qualified stock options would only be subject to tax when the underlying shares are sold. Such a sale would then be taxed according to normal rules for capital gains taxation. Additionally, the commission suggests that qualified employee stock options would not be part of the basis for social security contributions.

The proposal is that the new taxation scheme enters into force as from 1 January 2018. Further information on the prerequisites for qualification and other details will follow when/if the proposal is accepted.

### International agreements

- Negotiations are underway for a security agreement between Brazil and Sweden;
- Amending protocol to the Income Tax Treaty with Botswana enters into force – from 1 December 2015 for provision on information exchange and from 1 January 2016 for remaining provisions;
- Exchange of information agreement with Hong Kong applies from 1 April 2016 for Hong Kong and from 1 January 2017 for Sweden;
- Exchange of information agreement with Brunei applies from 20 December 2015 for criminal tax matters and for other tax matters as from 1 January 2016 for Sweden and 1 April 2016 for Brunei;
- Income Tax Treaty with Azerbaijan signed on 10 February 2016;
- Income and Capital Tax Treaty with Armenia signed on 9 February 2016;
- Exchange of information agreement with Montserrat applies from 31 December 2015 for criminal tax matter and from 1 January 2016 for other tax matters.

**JESSICA OTTERSTAL**
jessica.otterstal@bdo.se



# AUSTRALIA

## HELP REPAYMENTS AND NON RESIDENTS

### What is HELP?

HELP is the Australian Government's Higher Education Loan Programme, which financially assists students who meet the eligibility criteria to study at university and other higher education providers or undertake approved vocational education.

### Compulsory repayments

HELP recipients must start making compulsory repayments against their loan debt when their 'repayment income' exceeds the 'minimum repayment threshold'. The repayment thresholds are adjusted each year to reflect any changes in average weekly earnings.

An individual's 'repayment income' is calculated using the following:

- Taxable income;
- Reportable fringe benefits;
- Total net investment losses;
- Reportable superannuation contributions; and
- Any exempt foreign employment income.

The minimum repayment threshold is updated annually. Currently the threshold and repayment rates for 2015/16 are:

| Repayment income (AUD) | Repayment rate |
|---|---|
| Below 54,126 | Nil |
| 54,126 - 60,292 | 4.0% |
| 60,293 - 66,456 | 4.5% |
| 66,457 - 69,949 | 5.0% |
| 69,950 - 75,190 | 5.5% |
| 75,191 - 81,432 | 6.0% |
| 81,433 - 85,718 | 6.5% |
| 85,719 - 94,331 | 7.0% |
| 94,332 - 100,519 | 7.5% |
| 100,520 and above | 8.0% |

### Voluntary repayments

Voluntary repayments may also be made at any time to reduce the balance of the HELP debt. These payments are in addition to compulsory repayments and are not refundable.

At present, if a voluntary HELP repayment of AUD 500 or more is made, a 5% bonus amount (of the payment made) is also credited to the HELP loan account to assist in reducing the debt.

### Moving overseas

Recent changes to HELP repayment obligations impact those individuals who have moved overseas and retained a HELP debt. From 1 January 2016, non-resident individuals now have the same repayment obligations as those who live in Australia. That is, from 1 July 2017, if a non-resident individual earns income which exceeds the minimum repayment threshold, then he/she will be required to make compulsory repayments at the relevant rate towards his/her HELP debt.

These repayments may be made using BPAY, credit card or direct credit using their Payment Reference Number (PRN). This information can be obtained through the individual's myGov account on-line.

### Updating details

From 1 January 2016, those individuals intending to move overseas must update their contact details using their on-line ATO myGov account within seven days of having left Australia.

For those individuals already located overseas, personal details must be updated no later than 1 July 2017.

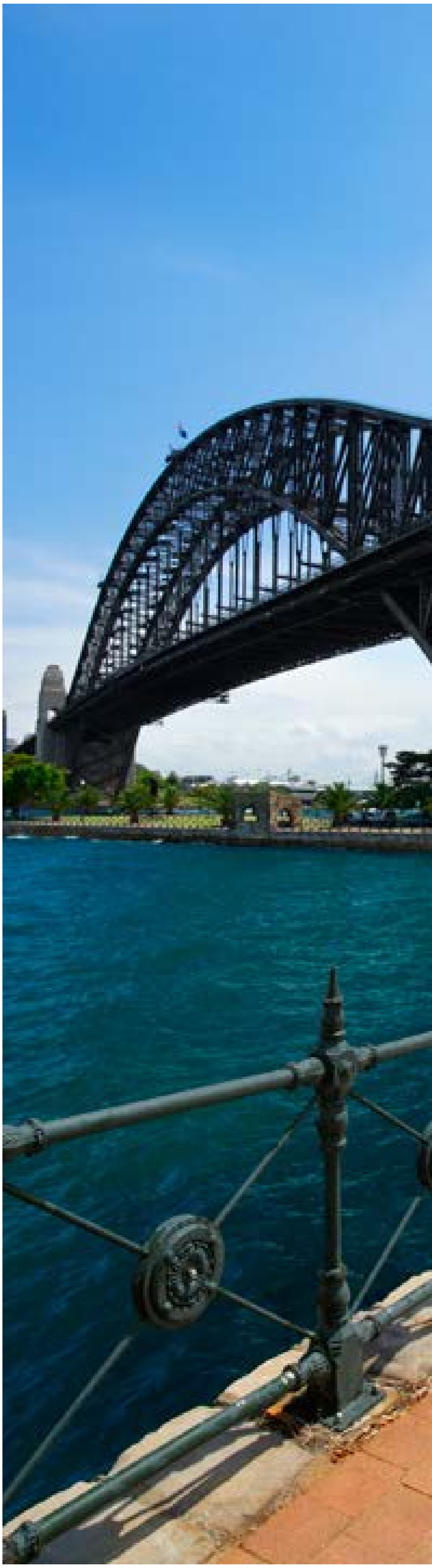
From 1 July 2017 it is expected that individuals will submit details of their world-wide income using their on-line myGov account by 31 October each year. The HELP debt will continue to be indexed annually until such time as it is paid off. In addition, voluntary repayments can be used to help reduce the balance of the debt at any time.

***BDO comment***

*These changes will be of interest to any client who has Australian outbound expats, who may have taken out a HELP loan previously.*

**DEBBIE COCHRANE**
debbie.cochrane@bdo.com.au

**RUSSELL GARVEY**
russell.garvey@bdo.com.au



# BELGIUM

## NEW TAX ON SPECULATIVE STOCKS AND SECURITIES

Until recently, Belgium was one of few developed countries that had no wealth tax or general capital gains tax in its tax legislation. Only capital gains on real estate sold within a certain period after its acquisition was considered taxable, based on the Belgian income tax code.

However, recently a new capital gains tax has been introduced into the Belgian tax legislation.

As of 1 January 2016, the Belgian authorities have introduced a tax levy of 33% on "speculative" capital gains realised on quoted stocks and securities.

### Stocks and securities to which this tax applies

The new levy will apply to capital gains realised on quoted stocks, but also quoted stock options, warrants and other quoted financial instruments by means of which the investor invests in underlying assets which consist of one or more quoted stocks (i.e. derivatives).

The tax will apply if such stocks and securities are sold within 6 months of purchase. In the event they have been gifted after they were acquired, capital gains realised on these stocks and securities will still be subject to the new levy, if they are sold within 6 months after they were originally acquired by the donor (or the person in the chain prior to the gift who originally acquired them for valuable consideration if the last donor was also gifted the securities).

Capital gains on profit-sharing and/or convertible bonds are however not subject to this new tax.

More importantly, an exception has been inserted in the income tax code as a result of which capital gains realised as the result of a company equity based compensation plan (Belgian or foreign) will not be considered taxable. This is provided a taxable benefit has already been recognised on the attribution or vesting of those rights. This applies to performance shares, RSUs, stock options, tradable warrants etc.

### Beneficiaries to whom this tax applies

This new "speculation tax" applies to transactions by natural persons and only in so far as the transactions are not related to their professional activity (i.e. a professional trader will not be subject to this levy with regard to transactions which he performs whilst exercising his profession of trader, as his gains will be taxed as professional income). This includes natural persons non-resident in Belgium with regard to capital gains realised through a Belgian intermediary (banks, stock-brokers and other financial institutions in Belgium).

### Taxable income

The new tax will be applied to the difference between the following two terms:

- The sale price received for the stocks or securities, reduced by the amount of the tax on stock exchange dealings (if applicable);
- The original purchase price of the stocks or securities, increased by the amount of the tax on stock exchange dealings paid at the time (if applicable).

The purchase price will have to be sufficiently substantiated and documented. If not, the speculation tax will be applied to the sale price in full.

To determine whether the stocks or securities sold have been held long enough, the LIFO-method (Last In – First Out) is applied per ISIN-category (ISIN stands for International Securities Identification Number) and per transaction. Within an ISIN-category, capital gains may be offset by capital losses, but the taxable income may never be less than zero.

### Applicable rate & method of collection

The rate of the new speculation tax is 33% and no additional municipal taxes will apply.

This tax will be collected in two ways:

- All Belgian intermediaries are obligated to levy this tax on qualifying capital gains realised through their offices and transfer the collected tax to the Belgian authorities. The beneficiaries of these gains (both Belgian residents and non-residents) will then no longer be obligated to report this income in a Belgian income tax return;
- Gains realised by Belgian residents and non-residents on Belgian quoted stocks and/or securities and collected in another way than through a Belgian intermediary (and who therefore have not yet been subject to the 33% withholding) will have to be reported in a Belgian tax return, as will gains realised by Belgian residents on non-Belgian quoted stocks and/or securities and collected in another way than through a Belgian intermediary (e.g. through a foreign stock-broker with regard to stocks and/or securities quoted on a foreign stock exchange).

***BDO comment***

*It is our opinion that the introduction of this speculation tax is not necessarily the first step towards a general capital gains tax, but that it is possible that more of these very specific gains will be subject to taxation in the future.*

*Executives planning to move to Belgium should review their investment portfolio to check whether they are likely to be subject to this new tax.*


**ALEXANDRA MARTIN**
alexandra.martin@bdo.be

# CANADA
## FEDERAL BUDGET REPORT

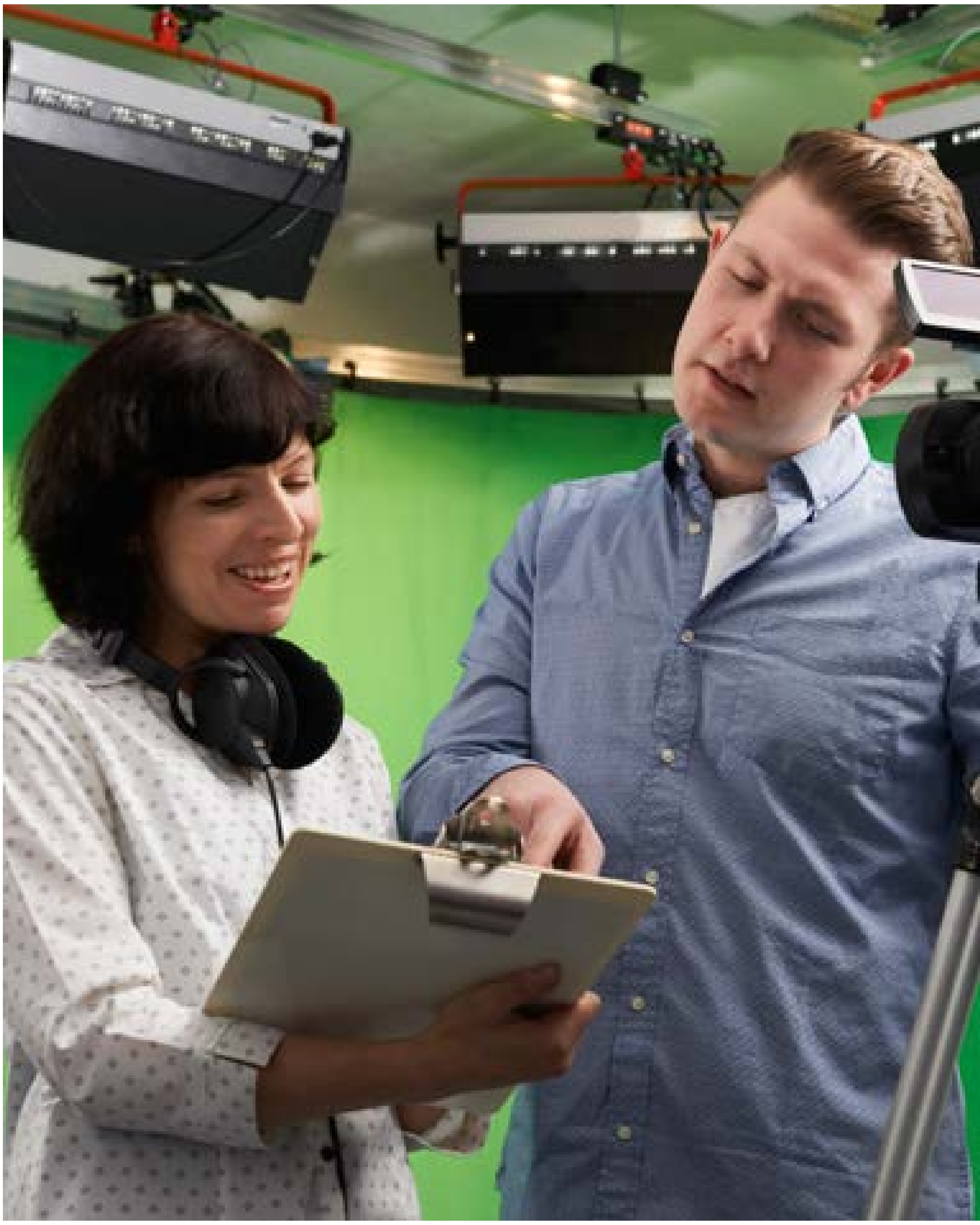
Some of the highlights of the Federal Budget presented 22 March 2016 are shown below.

**Personal tax**

- Child Benefit – The current Universal Child Care Benefit (UCCB) and Canada Child Tax Benefit (CCTB) will be replaced with a new Canada Child Benefit (CCB). This tax free benefit will start at CAD 6,400 per year per child under 6 and CAD 5,400 per year per child aged 6-17. The amount of the benefit is tied to family income, so household incomes over CAD 200,000 will not receive this benefit.
- The Family Tax Cut (FTC), a non-refundable tax credit for couples with children under 18, has been eliminated.
- Labour Sponsored Venture Capital Corporations Tax Credit, a federal 15% non-refundable tax credit (limited to CAD 5,000), will continue to be phased out, with the relief being eliminated by 2017. Provincially registered LSVCCs will not be affected.

**International tax measures**

- Country by Country Reporting (CbCR) will be implemented as part of required transfer pricing reporting, for large multinationals with annual consolidated revenue of EUR 750 Million or more. These enterprises with an ultimate parent resident in Canada will be required to file with the Canadian Revenue Authority within one year of the fiscal year to which the report relates, beginning with tax years after 2015.
- The Government also intends to work towards addressing tax treaty abuse and BEPS minimum standard information exchange rulings as per OECD recommendations – this process will begin in 2016.



## EASING ENTRY REQUIREMENTS FOR FILM AND TELEVISION PRODUCTION CREW

Historically, film and television production crew required work permits for all foreign workers. The process was cumbersome, as they often required Labour Market Impact Assessments (LMIAs) which could take weeks to process, and required government fees of CAD 1,000 per worker. The process had become so strenuous, production companies were discouraged from filming in Canada. Canada's competitiveness in the industry declined, and created a significant gap in employment opportunities for Canadian citizens and permanent residents.

As of 17 February 2016, LMIAs will no longer be required for crew deemed "essential to the production". Instead of testing the labour market impact, employers will only be required to submit a letter of support outlining the nature of the job, and the anticipated economic benefit to Canada. For positions generally supported by unions, the relevant union must also provide a letter and confirmation of no objection to the employment of the foreign worker. Employers must submit a compliance fee of CAD 230 per applicant, in addition to the standard work permit fee of CAD 155 which remains unchanged.

***BDO comment***

*With easier entry requirements for foreign workers, Canada will once again become a sought after destination for film and television production, thereby creating additional employment opportunities for Canadians.*

**MARK CHOW**
mchow@bdo.ca

# HUNGARY

## PRACTICAL INFORMATION FOR EXPATS ASSIGNED TO HUNGARY

Due to its favourable tax rate Hungary is becoming an increasingly popular assignment destination. Below is some practical information relating to Hungarian tax obligations for foreign expats seconded to Hungary:

### Registration

A Hungarian tax ID number has to be applied for in respect of the foreign expat before the Hungarian employment starts. The Tax Authority, based on the filed written application, generates the tax ID number and issues a tax ID card within 1-3 weeks.

The Hungarian host company is obligated to announce the arrival of the foreign employee to the Hungarian tax authorities where the non-resident expat is expected to receive Hungarian taxable income in the tax year. This notification should be made within 30 days from the date of taking up the pursuit of the activity.

### Personal income tax

Hungary has a flat tax rate as of 1 January 2016 which is 15%.

If the income is paid by the foreign company sending the employee, the employee themselves is responsible to assess and pay their personal income tax to the tax authority quarterly, by the 12th of the month following the quarter.

If, however, the income is paid by the Hungarian host company, then the Hungarian entity is responsible for deducting tax from the monthly gross salary. In this case the host company has to declare and pay the tax advance to the tax authority monthly, also by the 12th of the month following.

In both cases the expatriate has to prepare and file annual tax returns in Hungary by 20 May of the following year.

### Social contributions

Should the income earned by the expat be liable to social security contributions in Hungary the following contributions rates apply:

Employee (deducted from gross salary):

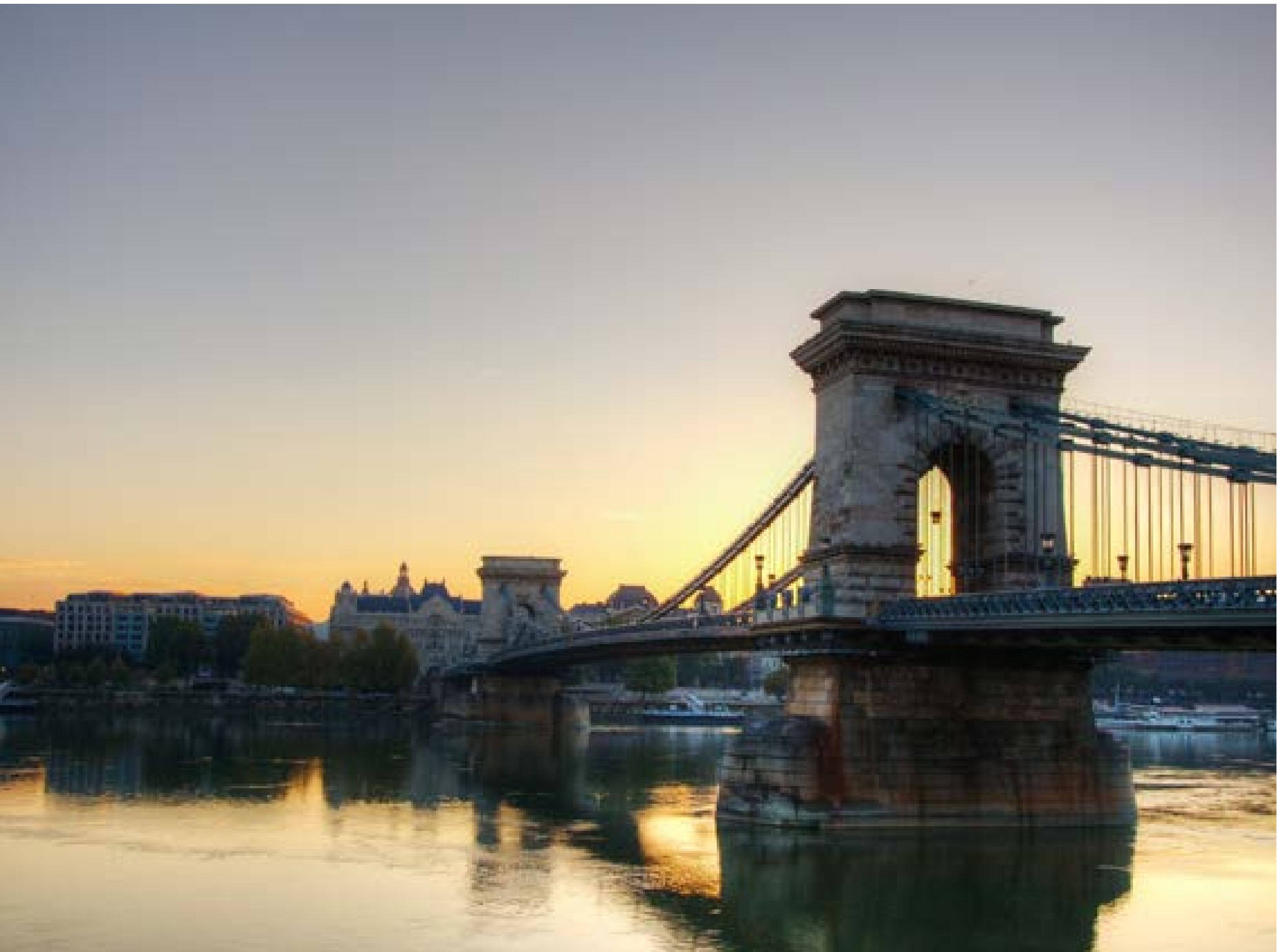
- 10% – Pension Fund Contribution;
- 7% – Health Insurance Contribution;
- 1.5% – Labour Market Contribution.

The employer should pay the following contributions (based on the employee's gross salary):

- 27% – Social Contribution;
- 1.5% – Vocation Training Contribution.

If the income is paid by the foreign company, then the foreign company has to register as a foreign payer in Hungary. The foreign entity is also responsible for withholding and paying the contributions from the gross salary to the Hungarian tax authorities monthly.

ANGELA SZOKE
angela.szoke@bdo.hu



# INDIA

## BUDGET 2016

The budget for fiscal year 2016-17, with an agenda to 'Transform India', was tabled in Parliament on 29 February. Acknowledging the role of taxpayers in nation building, the focus of the proposals was aimed at providing:

- Relief to small taxpayers;
- Measures for moving towards pensioned society;
- Measures for promoting affordable housing;
- Reducing litigation and providing certainty in taxation;
- Simplification and rationalisation of taxation.

Some of the pertinent personal tax changes proposed are listed below. The provisions will be enacted after it receives assent from the President.

**Tax rates**

The income tax rates for the individuals for fiscal year 2016-17 shall be as follows:

| Income (INR) | Age of the individual | | |
|---|---|---|---|
| | Below 60 years | 60 and above but below 80 years | 80 years and above |
| Up to 250,000 | NIL | NIL | NIL |
| 250,001 – 300,000 | 10% | NIL | NIL |
| 300,001 – 500,000 | 10% | 10% | NIL |
| 500,001 – 1,000,000 | 20% | 20% | 20% |

While the rates of tax have remained unchanged, the surcharge on income-tax is proposed to be increased from 12% to 15% for individuals having taxable income exceeding INR 10 million.

The Education cess and Secondary and Higher education cess shall continue to be levied at 2% and 1% respectively.

### Tax on dividend income

A new provision to tax dividend income is proposed to be introduced. As per budget proposals, any dividend income in excess of INR 1 million received from a domestic company will be taxed at the rate of 10% (gross basis) for resident individuals.

### Tax treatment of social security and pension funds/schemes

The amendments proposed by the budget with respect to tax treatment of the Recognised Provident Fund, Superannuation Fund and National Pension Scheme are explained below:

### Deduction of interest on capital borrowed for house property

Currently, when computing income from property, the deduction of interest payable on capital borrowed is restricted to INR 0.2 million if the acquisition or construction of the property is completed within 3 years from end of fiscal year in which capital was borrowed. The budget has proposed to increase such time limit of 3 years to 5 years.

### Deduction for payment of rent

The existing provisions allow a deduction in respect of rent paid by a taxpayer, not receiving house rent allowance. The deduction allowed for rent expenditure incurred by the taxpayer is the lower of:

a) Payment of rent in excess of 10% of total income;

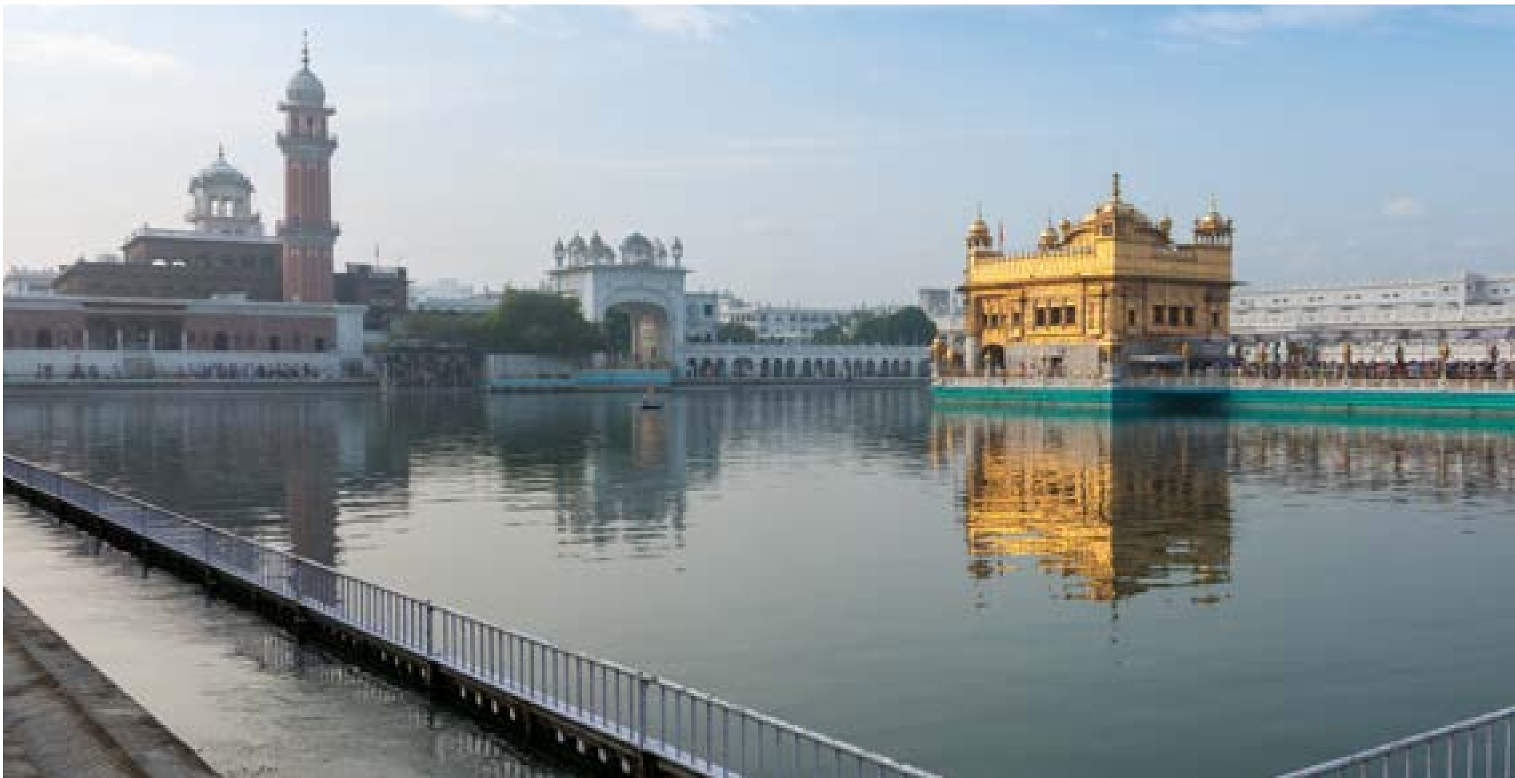
b) INR 0.002 million per month;

c) 25% of total income for the year

The limit specified in b) above is proposed to be increased to INR 0.005 million per month.

| Type of Fund/Scheme | Nature | Existing provisions | Proposed provisions |
|---|---|---|---|
| **Recognised Provident Fund** | Contribution | Employer contribution in excess of 12% of salary treated as taxable perquisite | Employer contribution computed at least of below, treated as taxable perquisite:<br>- In excess of 12% of salary;<br>- INR 0.15 million (refer note) |
| | Withdrawal | Not taxable subject to certain conditions | Refer to Note below |
| **Approved Superannuation Fund** | Contribution | Employer contribution in excess of INR 0.10 million treated as taxable perquisite | Employer contribution in excess of INR 0.15 million (refer note) treated as taxable perquisite |
| | Withdrawal | Not taxable in certain situations | Refer Note |
| **National Pension Scheme** | Withdrawal | Fully taxable | Exemption for 40% of amount payable to taxpayer at the time of closure of his account or opting out of the scheme<br>Amount received by nominee on death of taxpayer is exempt |

Note: The budget proposals to tax certain portions of these elements was later withdrawn by the Finance Minister.



**Payment of advance tax**

The tax law mandates payment of advance tax during the fiscal year (April to March) where tax payable by a taxpayer exceeds INR 0.010 million. The amendments proposed by the budget in terms of due dates of payment of advance tax and amount payable are tabulated beside:

| Existing provisions | | Proposed provisions | |
|---|---|---|---|
| Due date | Amount payable (% of such advance tax) | Due date | Amount payable (% of such advance tax) |
| September 15 | 30 | June 15 | 15 |
| December 15 | 60 | September 15 | 45 |
| March 15 | 100 | December 15 | 75 |
| | | March 15 | 100 |

**Tax return**

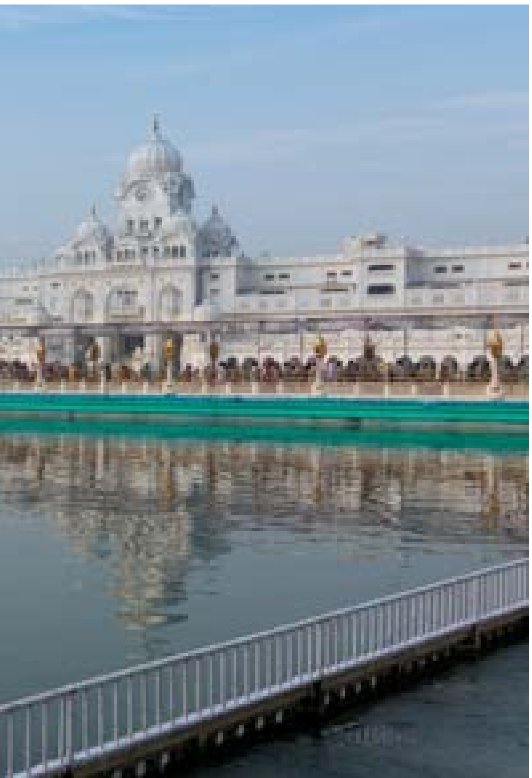
- Long term capital gains arising from the transfer of equity shares on a recognised Indian stock exchange are exempt in the hands of individual taxpayers. The provisions relating to the filing of a tax return mandate filing by individuals whose income exceeds the basic exemption limit (INR 0.25 million). The budget has proposed that income is calculated without the Capital Gains considered.
- The revision of time limits with respect to filing of late returns is as follows:

| Return type | Existing provisions | Proposed provisions |
|---|---|---|
| Due date for filing belated return | 2 years from end of fiscal year or completion of assessment, whichever is earlier. | 1 year from end of fiscal year or completion of assessment, whichever is earlier. |
| Due date for filing revised return | For return filed within due date: 2 years from end of fiscal year or completion of assessment, whichever is earlier.<br>Belated return cannot be revised. | For return filed within due date or belated return: 2 years from end of fiscal year or completion of assessment, whichever is earlier. |

## FORMS FOR FILING TAX RETURNS FOR FISCAL YEAR 2015-16

For individual taxpayers, the due date for furnishing tax return is 31 July 2016. The prescribed forms for filing of tax returns have been notified.

A key change to the tax return form is the inclusion of a new schedule "AL – Asset and Liability at the end of the year" applicable for taxpayers having total income in excess of INR 5 million.



## SOCIAL SECURITY AGREEMENT WITH AUSTRALIA

The agreement between India and Australia on social security (SSA) was signed on 18 November 2014. The SSA is in force with effect from 1 January 2016.

The agreement provides for detachment, totalisation and portability benefits. As per Article 8 -Avoidance of Double Coverage (detachment clause), the employees of one country deputed by their employers to other country on short-term assignment for a pre-determined period of up to 60 months shall be exempted from social security contribution in other country subject to a valid 'Certificate of Coverage'.

***BDO comment***

*We suggest that the taxpayers and employers familiarise themselves with these changes and consider the impact they have on proper tax and social security compliance.*

**DEEPASHREE SHETTY**
deepashreeshetty@bdo.in

# IRELAND

## REAL TIME CREDIT FOR FOREIGN TAX

In cases where there may be a simultaneous deduction of Irish tax and non-refundable foreign tax at source from the same employment income, the Irish tax authorities ("Irish Revenue") have recently issued measures to allow real-time foreign tax relief through the Irish payroll taxes (Pay As You Earn or "PAYE") system.

In order to obtain real-time foreign tax relief there are a number of criteria which must be met:

- The employee must be tax resident in Ireland,
- The employee must be employed by an Irish employer under an Irish contract of employment,
- The employee must exercise some of the duties of the employment abroad, and
- The employee must be subject to a simultaneous deduction of both Irish and **non-refundable** foreign tax.

Where these criteria are met, Irish Revenue will, on a case-by-case basis, consider an application for granting double tax relief to employees through the PAYE system. Prior to the introduction of these measures, relief for foreign tax paid was only available after the year end.

The application for the relief must be made by the employee as opposed to the employer.

The real-time credit procedure does not apply to the Universal Social Charge (USC) on employment income. In circumstances where the Irish effective tax rate is lower than the foreign effective rate, some of the foreign tax may be available as a credit against USC payable on the income which is subject to foreign tax. However, such credit will only be granted by way of end of year review.

### Revenue procedure – Treaty countries

An estimated credit may be granted in 'real time' where foreign tax is paid in a country with whom Ireland has a Double Taxation Agreement (DTA) in place. The foreign jurisdiction must be allocated a taxing right under the relevant DTA and the foreign tax suffered at source must be non-refundable.

It must be noted that this credit can only be estimated as the Irish effective rate of income tax will not be known until year end. As a result, Irish Revenue will prepare an estimate of the real-time foreign tax relief and this credit will be given through the PAYE system.

All credits granted in this manner will be subject to an end-of-year review when the employee files their annual tax return with Irish Revenue. Proof of the final tax liability in the foreign jurisdiction will be required as part of this review.

### Revenue procedure – Non-treaty countries

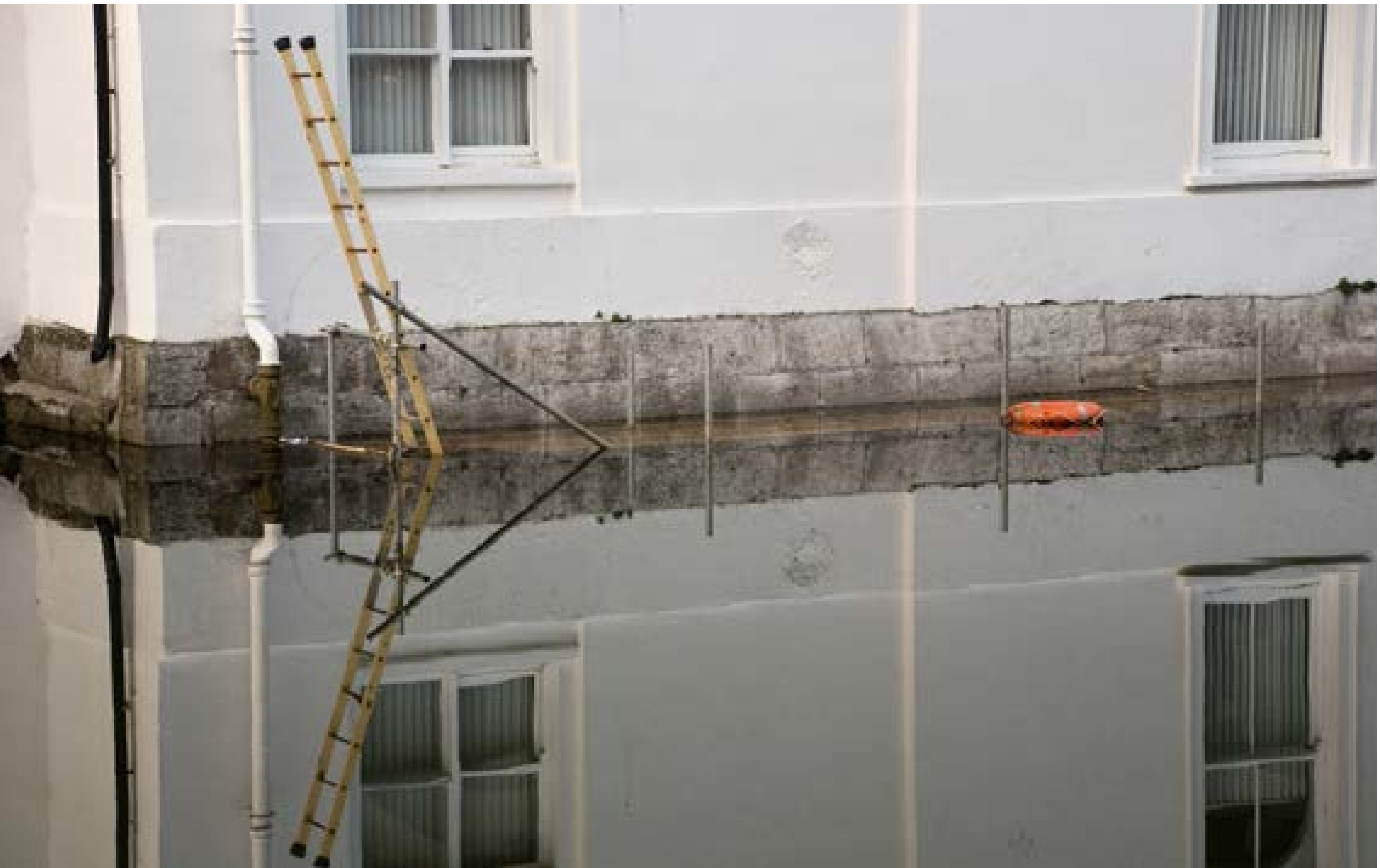
When an employee exercises some of the duties of the employment outside of Ireland in a non-DTA jurisdiction, there is no double tax credit relief.

However, unilateral relief may be granted by giving a **deduction** in respect of the non-refundable foreign tax. This deduction will be expressed as a tax credit through the PAYE system. The employee must provide Irish Revenue with evidence of the amount of the foreign tax deducted at source that is non-refundable.

***BDO comment***

*These changes offer significant assignment planning and cash flow opportunities for expatriate employees who meet the criteria set out above.*

**CLAIRE CORMICAN**
ccormican@bdo.ie



# LUXEMBOURG

## PAYROLL REFORM FROM 2017

On 29 February 2016 the Government presented its tax reform project, which should enter into force on 1 January 2017. The main points of interest are as follows:

### Abolition of the temporary budget balancing tax

The temporary budget balancing tax introduced on 1 January 2015 and fixed at 0.5% will be abolished on 1 January 2017.

### Changes to tax credits

The tax credit for employees ("CIS"), currently set at EUR 300 per year, as well as the tax credit for single parents ("CIM") currently set at EUR 750 per year, will vary from 2017 depending on the employees' annual income.

Changes may also be made as to how the tax credits are indicated by the tax authorities on an individual's tax card. This process may be modified to take into account these changes. The new rates are as follows:

| CIS | CIM |
|---|---|
| Annual income from EUR 936 to EUR 11,265 **EUR 300 to EUR 600/year** | Annual income from EUR 0 to EUR 35,000 **EUR 1,500/year** |
| Annual income from EUR 11,265 to EUR 40,000 **EUR 600/year** | Annual income from EUR 35,000 to EUR 105,000 **EUR 1,500 to EUR 750/year** |
| Annual income from EUR 40,000 to EUR 80,000 **EUR 600 to EUR 0/year** | |

### Changes to the tax scale

Currently, annual income over EUR 100,000 is taxed at 40%, as well as an additional 7% contribution to the Employment fund for income up to EUR 150,000 and of 9% for income above this amount.

With the 2017 tax reform, two additional tax brackets will be added to the tax table. Annual income between EUR 150,000 and EUR 200,000 will be taxed at 41%, and income higher than EUR 200,000 will be taxed at 42%. The effective tax rates are therefore as follows:

| Annual income | 2016 | 2017 |
|---|---|---|
| EUR 100,002 to EUR 150,000 | 42.8% | 42.8% |
| EUR 150,000 to EUR 200,004 | 43.6% | 44.69% |
| > EUR 200,004 | | 45.78% |

### Valuation of the benefit in kind for a company car

The company car benefit in kind value is currently fixed at 1.5% of the purchase price of the brand new car (options and VAT included).

Going forwards the monthly amount of the benefit in kind for company cars will be determined by the engine type and the level of $CO_2$ emissions of each vehicle. Additional information is expected, but the benefit in kind values are expected to be as follows:

| Categories of $CO_2$ emissions | Monthly benefit in kind (% of the vehicle purchase price) | | | |
|---|---|---|---|---|
| | 2016 | 2017 | | |
| | All categories | Gasoline vehicle | Diesel vehicle (sole or hybrid) | Cycle according to Highway code (Bike or E-Bike) |
| 0g/km | 1.5% | 0.5% | 0.5% | 0.5% |
| >0-50g/km | 1.5% | 0.8% | 1.0% | |
| >50-110g/km | 1.5% | 1.0% | 1.2% | |
| >110-150g/km | 1.5% | 1.3% | 1.5% | |
| >150g/km | 1.5% | 1.7% | 1.8% | |

***BDO comment***

*There are some significant changes to personal taxation rates due to be enacted in 2017 – please ensure you are aware of your obligations.*

ANGELA GEBERT
angela.gebert@bdo.lu

# NETHERLANDS

## 30% RULING: 150 KILOMETRES DISTANCE CONDITION IN LINE WITH EUROPEAN LAW

The 30% ruling is a tax-free allowance of 30% of the taxable salary of expats who live outside but work within the Netherlands. The 30% tax-free amount is an allowance to cover extra-territorial expenses regardless of the actual costs incurred. The current maximum period of the validity of the 30%-ruling is 96 months.

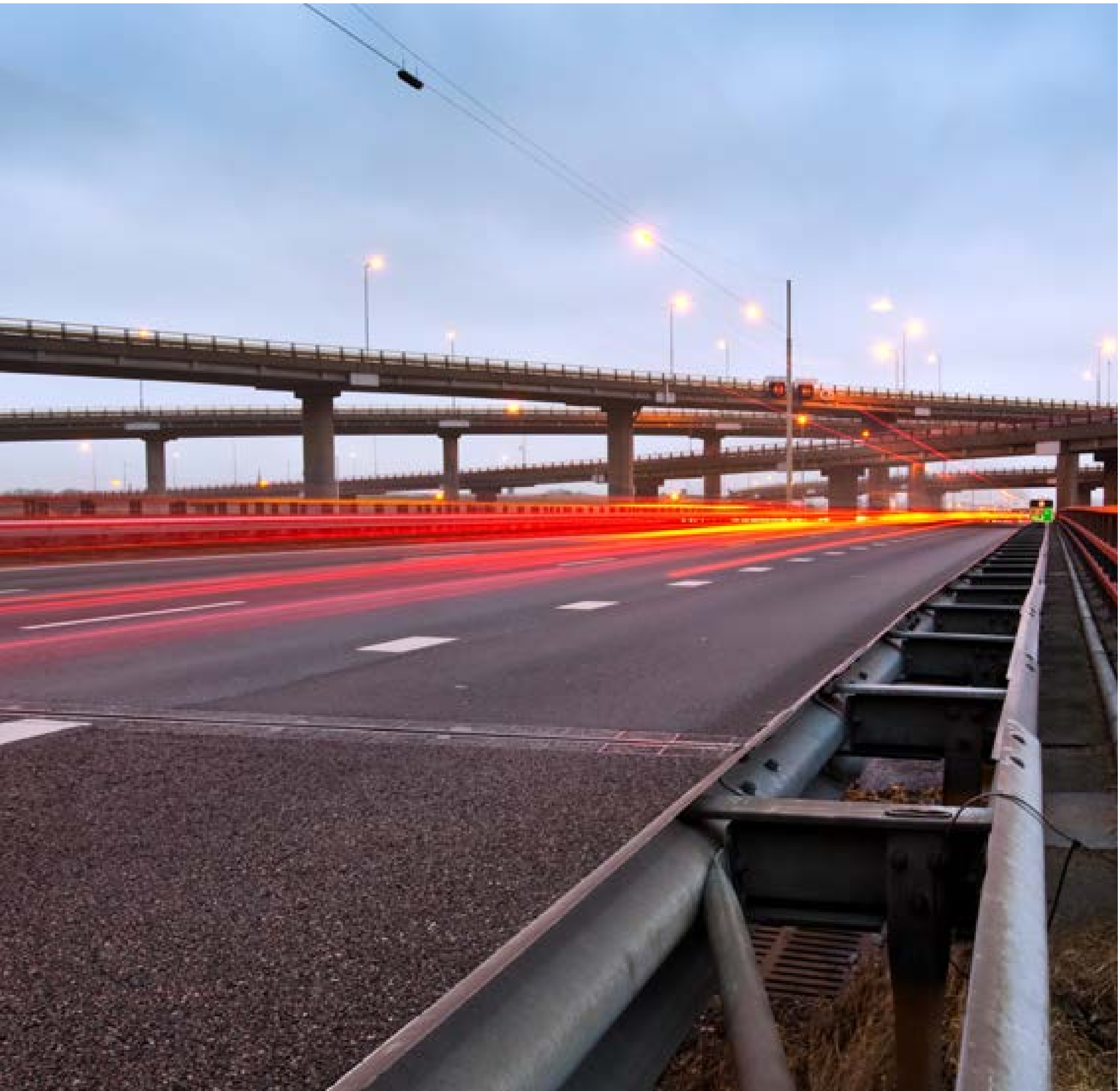
Starting from 2012, one of the conditions to qualify for the application of the 30%-ruling is that the expat must be living at least 150 kilometres away from the Dutch borders during two thirds of a 24 month period before the start of the activities in the Netherlands. Otherwise they are not expected to incur extra territorial costs.

The question was whether this condition was in conflict with the European law, as this condition may have been considered a prohibitive barrier to the free movement of workers within the European Union.

At the beginning of March 2016 the Supreme Court in the Netherlands judged (after having asked the judgement of the European Court of Justice) that this condition is not in conflict with the European Law. The Supreme Court ruled that the 30% ruling is not a clear and systematic overcompensation compared to actual extraterritorial costs incurred by the foreign individual who is living with a distance of 150 kilometres.

As a consequence employees living at a distance less than 150 kilometres from the Dutch border during two thirds of a 24 month period before the start of the activities in the Netherland will not qualifying for the 30%-ruling. Please note that in these situations it is still possible to reimburse the actual extraterritorial costs on a tax free-base.

**ROBIN SCHALEKAMP**
robin.schalekamp@bdo.nl



# SINGAPORE

## BUDGET 2016 CHANGES

Some noteworthy changes unveiled by the Singaporean Finance Minister on 24 March 2016 are highlighted below.

**Corporate tax**

- Corporate Income Tax rebate for Years of Assessment (YA) 2016 and 2017 for SMEs will be raised from 30% to 50% – capped at SGD 20,000 per YA.
- An automation support package will aim to support businesses in increasing productivity, including a grant (capped at SGD 1 million) for up to 50% of the qualifying costs of initial roll out/scaling of automation projects, as well as an investment allowance of 100% of approved capital (capped at SGD 10 million per project) for qualifying projects.
- The cap for Mergers and Acquisitions deals qualifying for relief will be doubled from SGD 20 million to SGD 40 million, allowing companies to enjoy a SGD 10 million M&A tax allowance per YA.

**Personal tax**

- Total personal income tax reliefs for an individual will now be capped at SGD 80,000 per YA, starting from YA 2018.

The 20% tax concession on the value of qualifying home.

***BDO comment***

*This was a sizeable budget with many changes that may be of interest to you so please ensure you are aware of those coming into force.*

**EVELYN LIM**
evelynlim@bdo.com.sg

# UNITED KINGDOM

## SHORT TERM BUSINESS VISITORS

The rules for tracking business visitors to the UK fundamentally altered from 6 April 2014. Where visitors are working in the UK for the benefit of the UK company, even for just a few days in the tax year, PAYE must be operated. This is despite the fact the individuals are likely to ultimately be exempt from UK tax under the terms of a double tax treaty. The individuals then need to file a UK tax return to claim exemption and a refund of the tax paid. The alternative is for a mandatory agreement to be put in place with HMRC. Visitors are then tracked by the company and a report is submitted to HMRC by 31 May following the end of the relevant tax year, claiming exemption from UK tax as appropriate. This negates the requirement for payroll withholding and tax return filing for the individuals where UK tax is not due.

With the 2015/16 UK tax year now completed, companies only have a few weeks to finalise their report and make their submissions to HMRC. There are various levels of information required depending on length of time spent in the UK and even if the individual is from a double tax treaty country, this does not necessarily mean they are exempt from UK tax. It should also be borne in mind that individuals from countries that do not have a tax treaty in place with the UK have no protection under the business visitor agreement. There can be separate rules for board directors as well.

***BDO comment***

*Business visitors is an area HMRC has focussed on for some time and this scrutiny is ever increasing. Companies must have an agreement in place with HMRC if they are not operating PAYE and a robust tracking mechanism to ensure visits are captured.*

*Even with an agreement in place, the rules as to whether an individual is exempt from UK tax are complex and can cause difficulties when submitting the year-end report. It is imperative that companies are clear on how the rules apply and also understand when PAYE must be withheld. HMRC allows a measure of relief in certain circumstances where PAYE is due for those who are in the UK for a limited duration in the tax year.*

**LEE COCCARO**
lee.coccaro@bdo.co.uk

## CURRENCY COMPARISON TABLE

The table below shows comparative exchange rates against the euro and the US dollar for the currencies mentioned in this issue, as at 19 April 2016.

| Currency unit | Value in euros (EUR) | Value in US dollars (USD) |
|---|---|---|
| Australian Dollar (AUD) | 0.68104 | 0.76973 |
| Canadian Dollar (CAD) | 0.68566 | 0.77498 |
| Euro (EUR) | 1.00000 | 1.13012 |
| Indian Rupee (INR) | 0.01327 | 0.01500 |
| Singapore Dollar (SGD) | 0.65229 | 0.73727 |
| Swedish Krona (SEK) | 0.10879 | 0.12295 |
| United States Dollar (USD) | 0.88474 | 1.00000 |

## CONTACT PERSONS

**The BDO Expatriate Services Centre of Excellence consists of the following persons:**


| | | |
|---|---|---|
| Andrew Bailey (Chair) | United Kingdom | andrew.bailey@bdo.co.uk |
| Kumar Krishnasamy | Australia | kumar.krishnasamy@bdo.com.au |
| Peter Wuyts | Belgium | peter.wuyts@bdo.be |
| Cleiton de Santos Felipe | Brazil | cleiton.felipe@bdobrazil.com.br |
| Debra Moses | Canada | dmoses@bdo.ca |
| Jacques Saint-Jalmes | France | jsaintjalmes@djp-avocats-bdo.fr |
| Christiane Anger | Germany | christiane.anger@bdo-awt.de |
| Wolfgang Kloster | Germany | wolfgang.kloster@bdo.de |
| Jiger Saiya | India | jigersaiya@bdo.in |
| Gianluca Marini | Italy | gianluca.marini@bdo.it |
| Joelle Lyaudet | Luxembourg | joelle.lyaudet@bdo.lu |
| Robin Schalekamp | Netherlands | robin.schalekamp@bdo.nl |
| James Hourigan | South Africa | jhourigan@bdo.co.za |
| Ramon Portela | Spain | ramon.portela@bdo.es |
| Jessica Otterstål | Sweden | jessica.otterstal@bdo.se |
| David Gardner | United Kingdom | david.gardner@bdo.co.uk |
| Donna Chamberlain | United States | dchamberlain@bdo.com |
| Jessica Pancamo | United States | jschuster@bdo.com |
| Ronni Rizzo | United States | rrizzo@bdo.com |




1604-02