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Taxation of Aquaculture 2021

A country overview

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Introduction

Aquaculture is a fast-growing business and represents according to the Food and Agriculture Organization of the United Nations (FAO), approx. 50 % of the global fish production that is used for food. It is expected that aquaculture shall continue growing in the future and increase its share of the total global fish production.

There are according to FAO approx. 580 aquatic species, which are currently farmed all over the world. Atlantic salmon probably has the highest level of industrialization of all farmed aquatic species.

Salmon farming has been quite profitable over the past few years and there are several large players, some of which are listed companies, multinational companies or both. In addition, there is an increasing focus on the environmental consequences of aquaculture.

Ordinary taxation – Corporate Income Tax rates

Income from aquaculture business is generally subject to ordinary Corporate Income Tax (CIT) at varying rates which ranges from 12.5 % (China and Ireland) to up to 31 % (Canada).

The average CIT rate for the countries presented in this report is approx. 21.8 % - 22.7 %. Please see overview of CIT rates and also relevant country sections in this report for further details.

Special taxes and levies for the aquaculture industry and tax incentives

The increased profitability in the salmon farming industry has drawn the attention of the authorities and in some countries such as the Faroe Islands, Iceland and Norway special taxes and excise duties for aquaculture companies have been implemented or are about to be implemented.

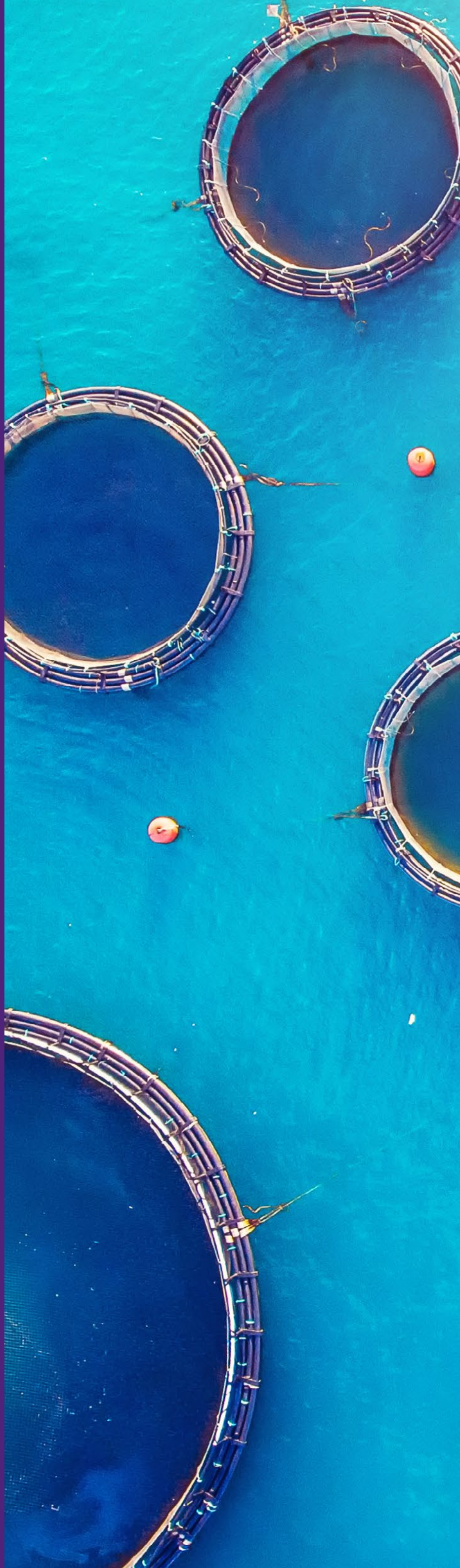
On the other hand, there are countries such as, e.g. China that have implemented tax incentives for the aquaculture industry. In China aquaculture companies are subject to corporate income tax on 50% of their taxable income. That results in 50% tax reduction provided that the scope of the business is marine and inland aquaculture. In Russia organizations engaged in cultivation of fish and other aquatic biological resources can apply the 0% tax rate provided that certain conditions are met.

Continuous improvements of the report

This report intends to present a brief country overview of taxation of aquaculture. The first version of this report, which was published in 2019, focused on a few selected countries, representing the largest salmon farming producing countries in the world. In addition, the report included a few countries that had potential to become large future salmon producers, e.g. through investment in land-based aquaculture. Based on input received three additional countries were included in the updated report for 2020: Greece, Japan and Spain. In this updated report for 2021 one additional country has been included: Russia.

We aim at continuously improving the report, including also to expand the report to include additional countries in future editions. Thus, we welcome any feedback that can contribute to fulfill this goal.

Contents



Corporate income tax rates - overview

Country	CIT rate (%)
Australia*	30 (26)
Canada	23 - 31
Chile**	27 (25)
China***	12.5
Denmark	22
Faroe Islands****	18
Greece	24
Iceland	20
Ireland	12.5
Japan	30.62
New Zealand	28
Norway	22
Russia*****	20
Spain	25
UK******	19
USA*******	21
Average	**21.8 – 22.7**

* CIT rate is currently 26 % if turnover is less than AUD 50 million in a financial year (will reduce CIT rate to 25 % in such cases in future years).

** CIT rate is 27 % under the general tax regime. Small and medium enterprises may, under certain conditions (most relevant, the average gross sales of the last three years cannot exceed approx. EUR 2.5 million), be under the "Pro Pyme" regime where the CIT rate is 25 %.

*** Ordinary CIT rate is 25 %. Aquaculture companies (marine and inland aquaculture) are subject to tax on 50% of their taxable income.

**** In addition: Harvest tax (0,5 % / 2,5 % / 5 % of harvest volume multiplied by average salmon price)

***** Ordinary CIT rate is 20%. However, organizations engaged in cultivation of fish and other aquatic biological resources can apply the 0% tax rate provided that certain conditions are met.

****** CIT rate to be increased to 25 % as of 1 April 2023 for companies with profits of more than GBP 250 000 per annum.

******* State income taxes and state imposed sales and use taxes could also apply (State corporate tax rates = 2.5 % - 12 %).

Tax incentives and special taxes and levies for aquaculture - summary table

Country	Special tax incentives	Special taxes and levies
Australia		
Canada		
Chile		
China*	X	
Denmark		
Faroe Islands**		X
Greece		
Iceland***		X
Ireland		
Japan	X	
New Zealand		
Norway****		X
Russia*****	X	
Spain		
UK		
USA		

* Aquaculture companies (marine and inland aquaculture) are subject to tax on only 50% of their taxable income.

** Special harvest tax.

*** Levy for the production of salmon and rainbow trout through fish farming in the sea.

**** Excise duty on production of salmon, trout and rainbow trout farmed in the sea.

***** Organizations engaged in cultivation of fish and other aquatic biological resources can apply the 0% tax rate provided that certain conditions are met.

Australia

Corporate income tax

Aquaculture companies in Australia are subject to company income tax. Where turnover exceeds AUD 50 million in a financial year, the company tax rate is currently 30%. If turnover is less than AUD 50 million in the current financial year, the company tax rate is 26% and for these companies the tax rate will reduce to 25% in future years. The tax base is in principle determined in accordance with the ordinary tax principles that apply for other companies as well. Importantly, the increase (growth) in the biomass during the income year is not treated as taxable income (income instead arises when the fish is ultimately sold). In addition, inputs to the farming process (feed, wages and other overheads) are deducted when those costs are incurred (and not as a cost of sale when the fish is sold). These principles are consistent with those that apply to other farming businesses in Australia.

Marine leases are typically the most valuable assets of aquaculture companies. Marine leases are not depreciable for tax purposes. Capital gains arising from transfer of marine leases are subject to company income tax. The cost of marine leases is taken into account when calculating the capital gain (loss). Annual license fees paid in respect of marine leases are deductible in the year they are incurred.

Eligible research and development (R&D) expenditure of aquaculture companies in Australia gives rise to a tax offset which reduces company tax payable. For companies with an aggregated turnover greater than AUD 20 million, the offset is equal to the companies' base corporate tax plus a scaled 'R&D Premium'. The 'R&D Premium' is 8.5% for R&D expenses not exceeding 2% of a company's total expenses and 16.5% for R&D expenses exceeding 2% of a company's total expenditure.

Goods and Services Tax

Aquaculture products (whole fish, fillets, smoked fish etc.) are generally sold free from Goods and Services Tax (GST) (VAT). Aquaculture companies are generally entitled to credits for GST included on business inputs acquired in the farming and production process.

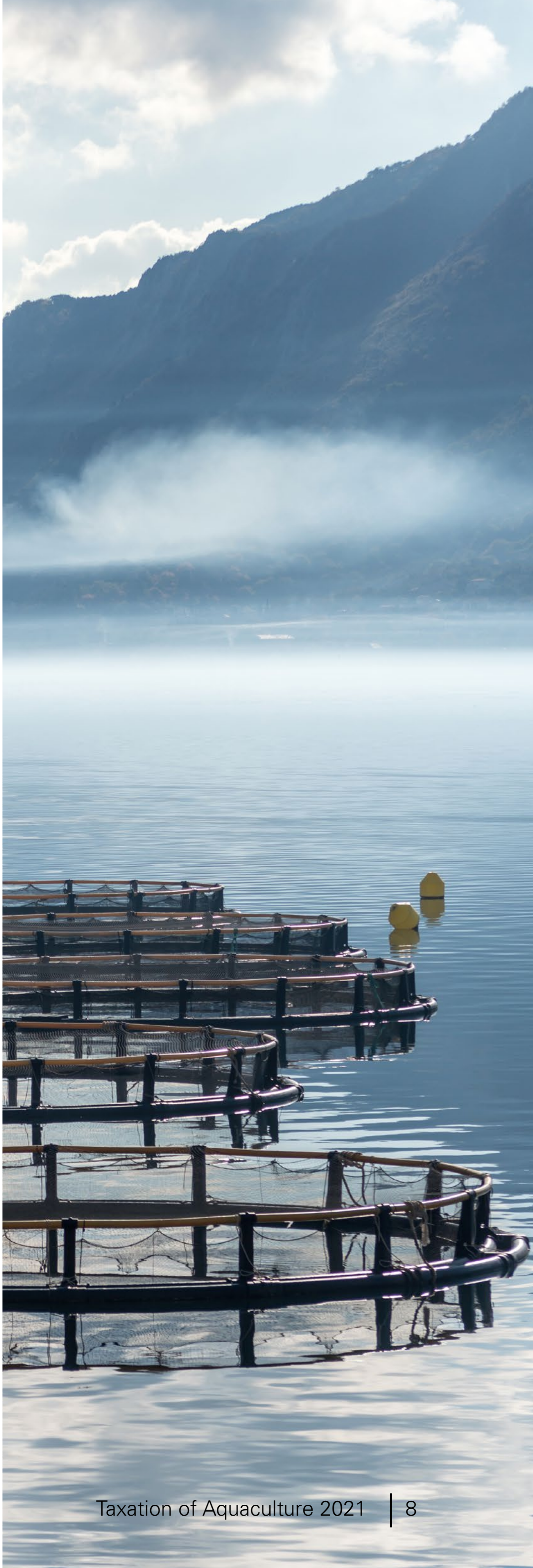
Marine Leases – Tasmanian Salmon

Marine leases of government owned water are granted to Salmon and other aquaculture companies by the Tasmanian State Government. The leases are generally granted for an initial 30 year period with potential option to extend. Aquaculture companies are charged an agreed annual fee based on the area under license.

Salmon companies operating in Tasmanian waters are charged an annual industry levy to fund regulation of the salmon industry in Tasmania.

Special tax regime

There is no special tax regime for aquaculture companies in Australia.



Canada

Corporate income tax

Aquaculture companies in Canada are subject to corporate income tax (currently) at a tax rate of 15% federally. Depending on which province the corporation carries on business, the combined federal and provincial tax rates can vary between 23 % and 31%. The tax calculation is determined in accordance with the ordinary tax principles that apply for other companies. However, there are certain exceptions whereby businesses that carry on farming activities (which includes fish farming) are permitted to report on a cash basis instead of on accrual basis. Some examples of where this may impact taxable income are as follows:

- A deduction for inventory as it is purchased and funds are expended as opposed to when it is sold;
- A deduction for accounts receivable on hand at year end with such amounts being included in taxable income as the cash is collected; and
- An income inclusion for accounts payable at year end whereby a deduction is only taken for such amounts as the cash is paid to creditors.

Tax depreciation (capital cost allowance) allowanceSpecial tax regime

Depreciation is a non-deductible expense for tax purposes. Instead, tax depreciation (capital cost allowance) is granted on capital expenditure based on federally prescribed depreciation rates.

In the fall of 2018, the Canadian government announced some temporary measures to allow businesses to claim accelerated capital cost allowance on qualifying machinery and equipment, as well as specified clean energy equipment; and to accelerate tax depreciation on other capital investments. The rules apply to capital property acquired after November 20, 2018 and available for use before 2028. The temporary measure allows Canadian businesses a 100% write-off of the cost of machinery and equipment to manufacture and process goods used in Canada in the year it is available for use in the business. This immediate expensing also applies to specified clean energy equipment. Businesses will also be able to deduct up to three times the amount of tax depreciation that would otherwise apply in the year that an asset is available for use. However, it should be noted that this larger deduction for the first year is ultimately offset by reductions to the deductions allowed in future years.

Value Added Tax (GST/HST & QST)

Canada imposes a 5% federal value added tax known as the Goods and Services Tax ("GST") on property and services consumed in Canada. In addition, certain Canadian provinces have harmonized their provincial sales tax with the GST resulting in the application of a Harmonized Sales Tax ("HST") in these provinces at a combined federal and provincial rate of 13% (Ontario) or 15% (Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island) depending on the province where the supply is made. The province of Quebec imposes a partially harmonized value added tax (GST/QST) at a combined rate of 14.975% on property and services supplied in Quebec. GST/HST/QST payable by an aquaculture business on the importation or acquisition of property and services for use in the course of its business activities in Canada would generally be fully recoverable as input tax credits (GST/HST) and input tax refunds (QST).

Certain property and services used by businesses in the aquaculture industry are specifically zero-rated for GST/HST/QST purposes (i.e., the applicable tax rate is 0%), including:

- fish eggs produced for hatching purposes,
- certain types of equipment (e.g., automatic netpen feeders and manufactured netpens).
- Production from aquaculture is also generally zero-rated, as follows:
- fish or other marine or freshwater animals not further processed than frozen, salted, smoked, dried, scaled, eviscerated or filleted are zero-rated, provided such animals are ordinarily used as food for human consumption and are not sold as bait for use in recreational fishing,
- goods sold for export from Canada are also generally zero-rated.

Provincial Sales Tax (PST)

The Canadian provinces of British Columbia, Saskatchewan and Manitoba impose a provincial sales and use tax ("PST) that applies and is administered separately from the GST/HST. PST is imposed at rates of 7% (British Columbia), 6% (Saskatchewan) and 8% (Manitoba), respectively.

Unlike GST/HST and QST, PST payable on business inputs used in these provinces is not recoverable. However, numerous exemptions apply in respect of farming operations, including aquaculture. In all three provinces, qualifying aquaculturists may purchase or lease certain specifically listed goods, equipment and services exempt from PST. Production from aquaculture is also generally exempt from PST, which does not generally apply to fish and shellfish sold for human consumption.

Customs Duties

The duty rate applicable to goods, including equipment, imported into Canada for use in an aquaculture business will depend on the specifics of each imported good. For example, live fish for fish farms may generally be imported into Canada duty free, regardless of country of origin. Goods that are otherwise dutiable on importation into Canada may be eligible for preferential tariff treatment where they meet the rules of origin under one of Canada's international free trade agreements (e.g., CETA).

Tax Incentives

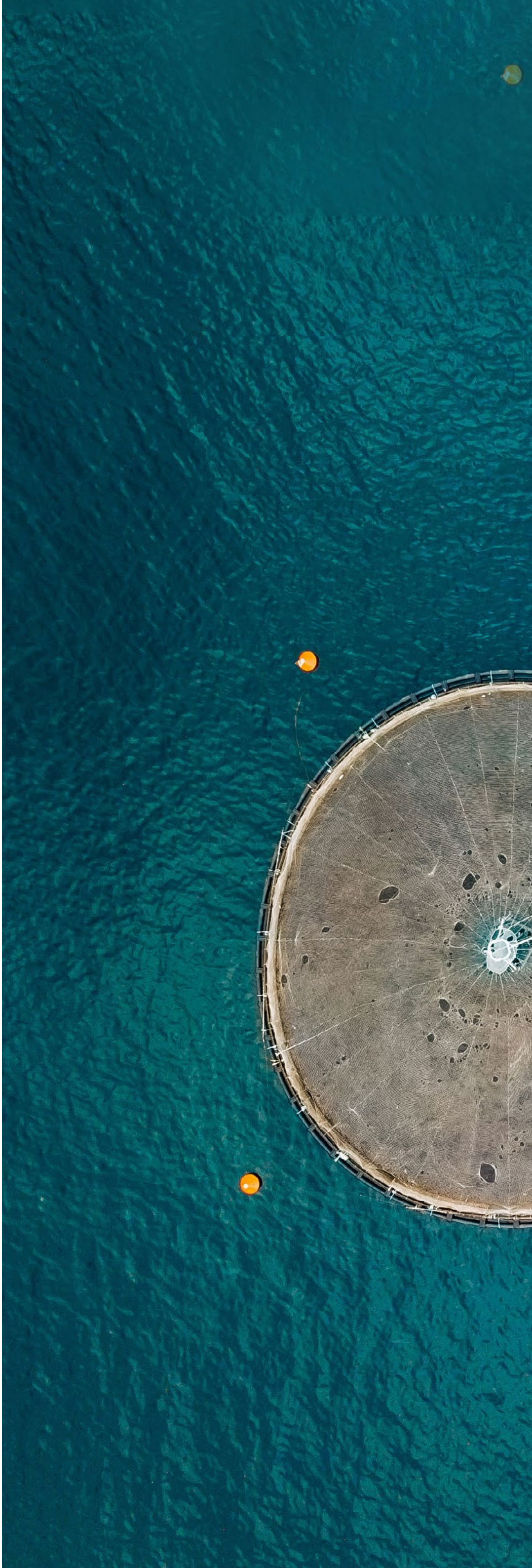
A 15-35% Federal tax credit plus 10-15% Provincial credits are available on qualifying R&D expenditures i.e. staff salaries and related costs, materials and consumables, capital expenditure and other direct R&D costs. This credit is granted in addition to the standard deduction available for such R&D expenditure.

The tax credit is available to companies that are engaged in qualifying R&D activity undertaken within Canada through a permanent establishment. The credits can be refundable in some instances or can be utilized to reduce the corporation tax liability for the period in which the expenditure was incurred with any unused balance becoming available for carry-back against the corporation tax liability of the preceding 3 taxation years. Any remaining unused balance is available for carry-forward for 10-20 years to be used against future corporation tax liabilities of the company.

An R&D tax credit claim must be made within 18 months of the end of the taxation year in which the qualifying expenditure was incurred. Other grants or incentives may also be available. A review of business plans and future activities should be undertaken to determine if an application for other incentives should be pursued.

Special tax regime

Apart from the items noted above, there are no specific tax reliefs or incentives for companies engaged in aquaculture related activities in Canada.



Chile

Corporate income tax

Chilean aquaculture companies are subject to Corporate Income Tax ("CIT" or "Impuesto de Primera Categoría"). Through the Tax Modernization Bill of February 24th, 2020, from January 1st, 2020, Chilean law contains one general tax regime under which local taxpayers are subject to CIT. Additionally, small and medium enterprises may, under certain conditions (most relevant, the average gross sales of the last three years cannot exceed approx. EUR 2.5 million), be under the "Pro Pyme" regime; a subset of such taxpayers may opt for a fiscally transparent regime, if their direct owners are subject to final taxation (i.e., resident individuals, or foreign resident entities or individuals).

Because Chile's CIT is integrated with income tax payable by shareholders/owners, taxation of investors shall also be considered. Under the general regime, a final owner is only subject to tax on actual distributions paid. A non-resident taxpayer is subject to the 35% Impuesto Adicional minus an imputation credit generally equal to 65% of the CIT paid by the company (such CIT is currently 27%); the determination of the applicable credit shall be done at year end. The deduction of imputation credit against the Impuesto Adicional is not restricted if the beneficiary of the dividend income is a taxpayer resident in a tax treaty jurisdiction.

The Chilean 35% Impuesto Adicional on dividends is not reduced by tax treaties currently in effect.

The Pro Pyme regime includes certain benefits, such as simplified compliance obligations and corporate tax rate of 25%, which can be fully credited against the Impuesto Adicional.

In connection to Fisheries and Aquaculture local regulation, the relevant Act (No. 18.892 of 1989 and its later amendments), establishes that aquaculture concessions can be granted for periods of 25 years (renewable). From a tax perspective, such concessions are, generally, not depreciable for tax purposes. Also, in case of a transfer of such concessions performed by the local holder (local company) any capital gain that may arise as a result of such transaction shall be considered as taxable income, and so will be subject to CIT.[1]

1. For purposes of calculating the capital gain amount, tax cost (acquisition price of the concessions duly adjusted by inflation) shall be deducted.

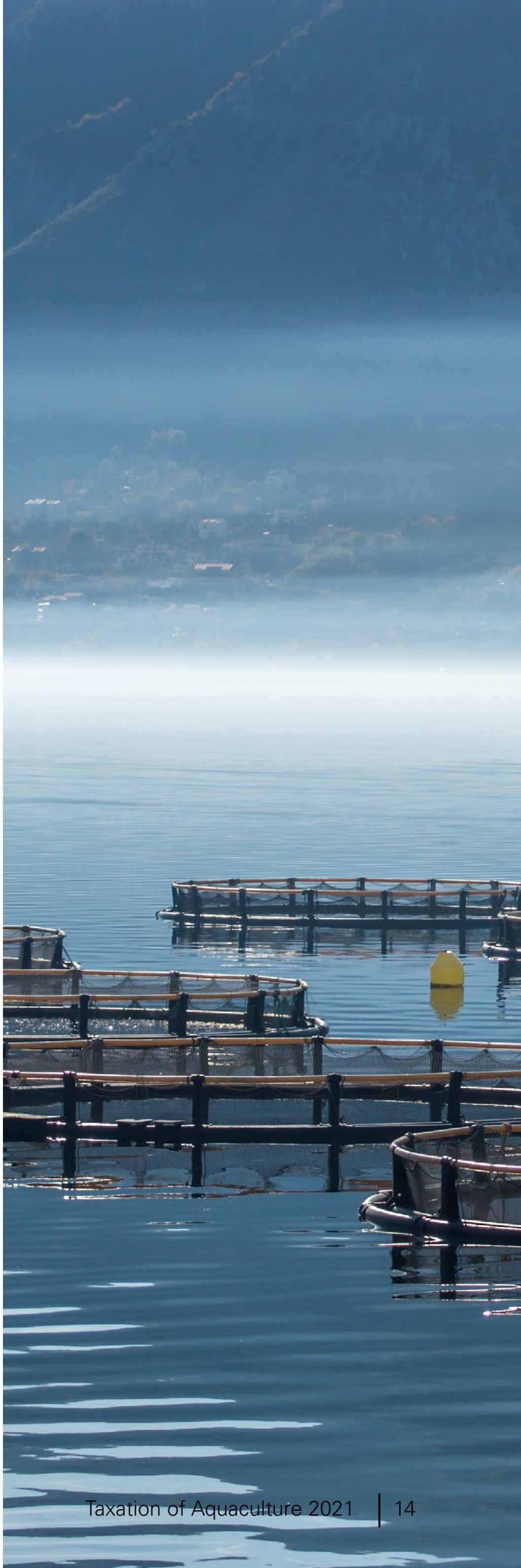
Municipal & Aquiculture Concession License Taxes

Chilean entities performing industrial or commercial activities must pay an annual tax to the municipality in which the entity is domiciled. The municipal tax may be paid in two annual installments, during July and January of each year. The municipal tax rate ranges between 0.25% and 0.5% calculated over the entity's tax equity, with a minimum annual tax of 1 Chilean Monthly Tax Unit ("UTM") (approximately USD 72) and with a maximum annual tax of 8,000 UTM (approximately USD 573,000).

Also, holders of aquaculture concessions must pay to the Treasury an annual tax of 2 UTM (approximately USD 143) for hectare (approximately 2.47 acres) involved in the granted concession.

Special tax regime

There are no changes in connection to taxation regimes applicable to aquaculture industry. Also, there is no bill currently under discussion at the Congress or administrative regulation announced by the government.



China

Corporate income tax

Corporate income tax (CIT) is one of the main taxes for businesses in China. The standard CIT rate in China is 25%. Depending on their circumstances, aquaculture companies operating in China may be able to benefit from CIT exemption, or from a special aquaculture regime under which 50% of its income is subject to CIT, or may be able to use the small companies CIT regime.

CIT exemption: Project income generated from 'primary processing' of aquatic products is exempt from CIT. Primary processing of aquatic products means simple processing, such as removal of visceral, de-scaling of fish, removal of bones, smashing, dicing, slicing, chilling, freezing, refrigerating, fresh-keeping, anti-corrosion treatment, packaging and other simple processing of aquatic animals. However, cooked aquatic products and canned foods of various types of aquatic products, as well as seasoned and roasted aquatic products, are considered as aquatic products subject to 'deep processing', so cannot be tax exempted.

Special regime: An aquaculture company incorporated in China, which cannot access the CIT exemption, can benefit from a regime that imposes CIT on just 50% of its taxable income – this means an effective tax rate of 12.5%. This is so long as the scope of its business falls in marine and inland aquaculture.

Small company: From 1 January 2019 to 31 December 2021, the portion of the annual taxable income amount of a small low-profit enterprise, which does not exceed RMB1 million, shall be subject to CIT, at a 20% tax rate, on a reduced tax base of 25% of the taxable income amount. This means an effective tax rate of 5% on this part of the enterprise income. The portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be subject to CIT, at a 20% tax rate, on a reduced tax base of 50% of the taxable income amount. This means an effective tax rate of 10% on this part of the enterprise income.

For the purposes of the prior paragraph, a small low-profit enterprise is defined as an enterprise engaging in a non-restricted and non-prohibited business, which satisfies three criteria, namely, annual taxable income amount does not exceed RMB3 million, staff headcount does not exceed 300 and the total assets do not exceed RMB50 million.

Value added tax

Scenario I: VAT exemption

Sales of self-produced aquaculture products (i.e. aquatic species sold by aquaculture producers) are generally exempt from VAT. The term "aquaculture products" covers a range of plants and animals, including those produced through artificial fishing, raising and stocking of aquatic species, such as finfish, shellfish and aquatic plants. However, cooked, canned, and roasted aquatic species are not included in the scope of this exemption.

Where the VAT exemption is applied, the input VAT corresponding to the generation of VAT exempted revenue shall not be credited against output VAT.

Scenario II: VATable

VAT applies where the aquaculture products are not self-produced. If the aquaculture company bought some aquatic species from other units/individual (both local or overseas units/individuals) and then resold them, or used the bought aquatic species for further processing and sold the finish product, these are not exempt from VAT. The re-sale of primary aquatic products and sale of primary processing aquatic product shall be subject to output VAT at the rate of 9% (previously was 10% before 1 April 2019). The sale of aquatic products subject to deep processing (cooked and canned), should be subject to output VAT at 13% (16% before 1 April 2019).

Input VAT incurred by an aquaculture company on the purchase of products and services can be credited against output VAT at their respective VAT rates, with special VAT invoices, Customs import VAT special payment certificates, sales invoices or purchase invoices of agricultural products, tax payment receipts for withholding VAT or tax deduction documents for purchasing passenger transportation services as proof. If aquatic products were purchased to engage in deep processing of aquatic products which are liable to VAT at 13%, input VAT creditable can be calculated at the rate of 10% (12% before 1 April 2019).

If the aquaculture company is a small-scale VAT taxpayer, sales of aquatic species should be subject to a VAT rate of 3% with no input VAT credit available. Small-scale VAT taxpayers are those whose annual sales amount subject to VAT does not exceed RMB 5 000 000. In response to the COVID-19 pandemic, from 1 March 2020 to 31 December 2020, the small-scale VAT taxpayers who are subject to 3% VAT rate can enjoy a reduced VAT rate at 1%; this goes further in Hubei province, where an exemption applies. Although the expiry date of this incentive was 31 December 2020, an extension is expected for 2021.

In addition, VAT small-scale taxpayers whose monthly sales are below RMB 100 000 (including RMB 100 000) shall be exempted from VAT.

Scenario III: Export of aquaculture products

In addition, self-produced aquatic species exported by aquaculture producers are exempt from VAT, other products exported by aquaculture producers are VAT zero-rated.

Deduction of input VAT on purchase of agricultural products based on assessment

For production of certain categories of goods with purchased agricultural products (including aquaculture products), the input VAT creditable can be calculated with the following measures:

1. Input-output method: The allowable input VAT deduction for agricultural products in the current period is calculated based on the consumption of agricultural products used for production of goods sold in the current period (assessed per stipulated standards), the average purchase price for the year-end inventory of agricultural products (including tax, the same below) and the deduction rate (the applicable VAT rate of the finished goods).
2. Cost method: The allowable input VAT credit for agricultural products in the current period is calculated based on the operating costs in the current period, the consumption rate of agricultural products (assessed by the tax bureau per the ratio of purchases of agricultural products against the operating cost in the preceding year), and the deduction rate (the applicable VAT rate of the finished goods).
3. Reference method: For new taxpayers or new products added by the taxpayers, the taxpayers may refer to practices of other taxpayers in the industry or with similar production structures.
4. Where agricultural products were purchased for direct resale, the allowable input VAT deduction is calculated based on the sale of agricultural products in the current period deducting wasted portion, the average purchase price and the VAT deduction rate (9% after 1 April 2019).
5. Where agricultural products were purchased for production of packages, auxiliary materials, etc., the allowable input VAT deduction is calculated based on the consumption of agricultural products, the average purchase price and the VAT deduction rate (9% after 1 April 2019).

The explicit scope of this policy varies depending on provincial tax regulations. In Beijing, the scope has been extended to all kinds of goods produced by general taxpayers with purchased agricultural products.

Newly introduced VAT refund mechanism

From 1 April 2019, a VAT refund mechanism was introduced on a 'trial basis'. To enjoy the refund, a number of conditions must be met, mainly including:

- The VAT credit balance must have grown incrementally for 6 consecutive months (or two consecutive quarters, for those who file on a quarterly basis), starting from April 2019;
- The VAT credit balance must have grown by not less than RMB 500 000 over that same 6 month period;
- The taxpayer's tax credit rating must be an "A" or "B" (which effectively denotes them as being highly compliant taxpayers);
- The taxpayer had no cases of fraudulent refund claims, false issuance of special VAT invoices or tax evasion penalties (no more than twice), within the 3 year period preceding the applicable tax refund;

- The taxpayer has not benefited from the VAT refund upon collection and VAT refund after collection policies from 1 April 2019;
- The refunds which are provided are only those incrementally accruing from 1 April 2019 – in other words, VAT credit balance amount prior to 1 April 2019 are effectively quarantined and cannot be refund;
- The refund which is eventually allowed represents 60% of the incremental VAT refund available and only input VAT credits supported by special VAT invoices, customs clearance certificates, or tax clearance certificates for imported services can be refunded.

Land use tax

Land used directly for aquaculture purposes is exempted from land use tax. Land used for processing of aquaculture products and for living or office space does not fall within this scope.

Local surcharges

Aquaculture companies should also pay local surcharges on top of the VAT liability, including city construction tax at the rate of 7%, 5% or 1% depending on the location of the company, Education Surcharge at the rate of 3%, and Local Education Surcharge at 2%.

Special tax regime

As noted above, aquaculture companies can enjoy special CIT treatment in China if certain conditions are met.

Denmark

Corporate income tax

No special tax regime is applicable for Danish aquaculture companies although Denmark has had a substantial amount of inland fish farms historically. Consequently, aquaculture companies should generally be subject to the ordinary 22% Danish corporate tax rate. Furthermore, the tax base is calculated by applying the same rules and principles as for any other Danish company liable to corporate income tax.

In very simplistic terms, Danish corporate taxation is based on a net income principle, according to which expenses used to acquire, secure or maintain the income are generally fully deductible as operating expenses, while expenses used to establish a new income base should be capitalized and subsequently depreciated if permitted.

With reference to aquaculture companies, expenses to purchase fish organisms and other operating costs should generally be deductible as operating costs in the year where the legal obligation to pay occurs, while costs to purchase the fish-farming plant, equipment etc. should generally be capitalized and depreciated.

As a main rule, Danish fish farm businesses are comprised with the Stock of Goods Act and must generally calculate the value of fish in accordance with this law. In a tax ruling from 1988, the National Tax Council stated that the manufacturing cost applied in relation to the Stock of Goods Act can be set at 70% of the sales price. The value of fish with a length below 15 cm can be set at 0 DKK.

Depreciation of tangible assets

Most operating tangible assets, such as machinery and equipment, may be depreciated by up to 25% per year in accordance with the declining-balance method. The depreciation rate can vary from year to year at the taxpayer's discretion. The price of minor assets, software and certain equipment for R&D may be written off in the year of acquisition, whereas certain heavy fixed assets and infrastructural facilities are subject to a reduced depreciation rate. Please note that depreciation is generally not allowed for assets that are not subject to impairment. For income year 2020 a temporary additional write-off of 30 % on R&D-costs may be conducted for taxable purposes, if the costs fulfils the criteria set forth. For income year 2021 the temporary additional write-off percentage will also be 30 %.

Buildings, other than, for example, office buildings, may be depreciated individually using the straight-line method by up to 4 percent a year. Office buildings are generally not depreciable unless integrated with or closely related to a manufacturing or depreciable building.

Generally, the annual depreciation charge for tangible assets is computed on the basis of the cash equivalent of the cost price. The cash equivalent price is the actual cost price less the excess of the nominal value of loans (taken over from the seller) over market value.

It is not possible to generally conclude whether a fish-plant farm constitutes a building, heavy asset or infrastructural facility as this is highly dependent on the facts and requires a closer examination of the set-up.

Depreciation of intangible assets

Intangibles acquired by a Danish company may be depreciated by up to one-seventh annually. Knowhow and patents are subject to favorable rules that allow immediate write-off of the purchase price in the acquisition year. Please note that depreciation is generally not allowed for assets that are not subject to impairment.

As for tangible assets, the annual depreciation charge for tangible assets is computed on the basis of the cash equivalent of the cost price. The cash equivalent price is the actual cost price less the excess of the nominal value of loans (taken over from the seller) over market value.

Municipal real estate tax

If the aquaculture company owns a property used for the fish-plant farm, the aquaculture company will generally also be subject to a property tax (i.e. a tax on the land). The rate varies from each municipality (for instance the rate for Copenhagen is 3.4 per mil (in 2020)).

Market duty and research duty on export of fish and fish products

In Denmark, there is no separate inland or export duties on fish or fish products. Fish and fish products produced/originated outside the European Union are in general subject to customs duties.

Faroe Islands

Corporate income tax

Corporate income tax for salmon farming companies is generally computed according to the same rules that apply to other companies in the Faroe Islands. However, a special provision allows salmon producing companies to write down the value of biological assets (biomass) to zero for tax purposes. The value of the biomass is instead added to the taxable income at the point of harvesting.

Salmon farming licenses can be traded between Faroese companies. Acquisition price for a farming license can be depreciated for tax purposes on a straight line basis over 10 years.

The taxable profit is taxed at 18%. The tax is payable in three instalments on 1 October, 1 November and 1 December in the year following the income year.

The payable tax is split between state and municipalities with 70% going to the state and 30% to municipalities. Municipalities receive their share of the income tax according to where each salmon farming company has farming and production facilities.

Special tax regime

Salmon farming companies pay a special harvest tax. The special harvest tax is based on average price per kilo of salmon per month, and the amount of gutted salmon in kilos during that month. The gutted salmon in kilos for each month is multiplied by the average price per kilo for that month, and then multiplied by a set tax rate.

Average price per kilo for each month is determined according to the Fish Pool Indextm. (https://fishpool.eu/price-information/spot-prices/).

The applicable tax rate for each month is determined according to the average price per kilo for that month. The tax rates are shown in the table below:

Example 1:	
Gutted salmon (kilos)	1,500,000 kilo
Average price per kilo (DKK)	50.00
Tax base	1,500,000 x 50.00
Taxable harvest income (DKK)	75,000,000
Tax rate	5.00%
Payable harvest tax (DKK)	**3,750,000**

Example 2:	
Gutted salmon (kilos)	1,500,000 kilo
Average price per kilo (DKK)	35.00
Tax base	1,500,000 x 35.00
Taxable harvest income (DKK)	52,500,000
Tax rate	2.50%
Payable harvest tax (DKK)	**1,312,500**

Harvest tax has to be reported to the tax authorities each month, and is payable each quarter. E.g. for quarter one, comprising January, February and March, harvest tax is payable on 1 May.

Harvest tax is treated as a deductible expense in the computation of taxable income for corporate income tax.

Harvest tax is paid only to the Faroese state. Municipalities receive no harvest tax.

Resource rent tax

In 2017 a special tax committee appointed by the minister of Finance published a report on tax policy in the Faroe Islands. One of the committee's recommendations was to introduce a resource rent tax for the salmon farming companies instead of the current harvest tax. However, the government subsequently decided not to follow the recommendation. Instead the harvest tax regime was slightly tweaked into its current state.

Greece

Aquaculture companies in Greece are governed by Law 4282/2014. More specifically, the aforementioned law defines, amongst others, the procedure followed for the real estate grant to the aquaculture companies as well as issues pertaining to the establishment and operation license of aquaculture companies in Greece. From a Greek tax perspective, there are no specific tax provisions for this kind of companies and thus aquaculture companies are taxed on the basis of the general tax law provisions. On this basis, we mention below some generally applicable tax provisions that are also applicable to aquaculture companies.

Corporate income tax

Aquaculture companies in Greece are subject to corporate income tax, currently 24%. The said rate is the income tax rate generally applicable to corporations maintaining double entry accounting books and the tax base is in principle determined in accordance with the ordinary tax principles that apply for other companies as well. In particular, the taxable profits (or losses) of each year are the profits (losses) shown in the financial statements, derived from the official books kept in accordance with the Greek Accounting Standards (and / or IFRS) after any adjustments made for non-deductible expenses and non-taxable income.

Aquaculture concessions are typically the most valuable assets of aquaculture companies. Aquaculture concessions are granted for a period of 20 years for marine areas, whereas it ranges between 10 to 15 years for lake water areas and can be extended if specific terms are met. In addition to the above, plots of land may also be provided as aquaculture concessions. The said concessions rights may be depreciable by aquaculture companies for income tax purposes under specific conditions.

A sublease of marine area / plot of land might be allowed on the basis that an approval from the Ministry of Rural Development and Food has been provided. Any revenues arising at the level of aquaculture company from the said subleases is taxed as business income at the corporate income tax rate of 24%.

Unified Real Estate Ownership Tax (UREOT)

Greek real estate owned by Greek and non-Greek legal entities is subject to the Unified Real Estate Ownership Tax (UREOT), which comprises of a main tax and a supplementary tax. The main tax is calculated based on special formula determined by the Ministry of Finance depending on the status of the property and the area where it is located. Legal entities are subject to the supplementary tax for the total value of their real estate and the tax is calculated at the rate of 5.5‰ on the corresponding objective tax value. However, the said supplementary tax rate for properties owned by legal entities and used for their own business purposes is reduced to 1‰. UREOT is also applicable to the real estate (i.e. marine areas, lake water areas, plots of land) granted to aquaculture companies by the Greek state, which are responsible for its payment.

Special Real Estate Tax (SRET)

Ownership rights on real estate property located in Greece held by legal entities are subject to Special Real Estate Tax (SRET) at the rate of 15% on their objective tax value on condition that their revenues from the exploitation of such property exceed their revenues from any other ordinary business income. Moreover, according to the provisions of the same law, it is stipulated that certain categories of legal entities may be exempt from the SRET if specific conditions are met.

Value Added Tax (VAT)

In general, basic VAT rate applicable to all goods and services is 24% except for the following goods sold by aquaculture companies, which have a reduced rate:

- Supply of live fish, fresh or chilled fish, molluscs, crustaceans and other aquatic invertebrates (as either merchandise or goods) as well as products of the aforesaid is subject to 13% domestic VAT.
- Supply of raw materials - fish feed is also subject to 13% domestic VAT.
- VAT rate is further reduced by 30% if goods or services are supplied to taxpayers established to the islands of Leros, Lesvos, Kos, Samos and Chios (the said reduction applies up to 30.6.2021).

Relief of losses

Based on the Greek tax legislation, tax losses of Greek companies (including aquaculture companies) may be carried forward and be offset against taxable income of the five years following the accounting year in which they were incurred. Losses cannot be carried back.

Group tax relief

The concept of group tax relief does not exist in Greece. Companies cannot transfer losses to other companies.

Greek tax framework

In general, the Greek tax law is subject to a reformation process during the recent years and thus we cannot exclude the possibility of further amendments to occur in the tax framework that may affect the above highlights.

Iceland

Corporate income tax

Aquaculture companies in Iceland are subject to corporate income tax in accordance with their business form. If an aquaculture company is a limited liability company the income tax rate is currently 20%. No special provisions are in place for aquaculture companies regarding corporate income tax. However, there are certain exceptions such as e.g. that increase (growth) in the biomass during the income year is not treated as taxable income.

The Icelandic tax system for corporations is a classical system. Companies are subject to income tax on their worldwide income and economic double taxation may be eliminated by deduction of dividend income from taxable income.

The taxable base is net income; i.e. income after deduction of operating expenses. Operating expenses are expenses incurred when obtaining and maintaining the income, including interest, discounts on securities, exchange rate losses, provision for doubtful accounts receivable and inventories, depreciation, and certain allowances provided by law.

For further information on Icelandic legislation on taxation of corporation see:

https://home.kpmg/content/dam/kpmg/is/pdf/2020/01/KPMG-Icelandic-Tax-Facts-2020.pdf

Evaluation of the current taxation – potential tax reform

As of today the only levy paid only by aquaculture companies with operating licenses for farming in the sea, compared to other Icelandic companies, is an annual levy duty of the amount 12 SDR for each ton which the operation licenses are issued for. In addition, aquaculture companies may be subject to payment of a harbor levy, which varies between harbors.

On 19 June 2019 the Icelandic government passed a legal bill regarding an act on a levy for fish farming in the sea and a fish farming fund before the Icelandic Parliament. The Act, which is no. 89/2019, main topics are as follows:

Scope and objective of the legislation

The act for example applies to the determination, imposition and collection of a levy for the production of fish through fish farming in the sea, for salmon- and rainbow trout farming.

The levy is, according to the act, based on the fact that holders of operating licenses for fish farming have limited rights to utilize natural resources of Iceland. This provides an advantage for the operations, which have the opportunity to generate higher profits compared to other sectors of the Icelandic economy. Another objective of the imposition of the levy is to recognize that the acquisition of work facilities is a part of a company's operating cost, but to this day no levy has been charge for the holding of an operating license. The act takes into account that the income that will be derived from the collection of the levy, can be allocated to research for the benefit of aquaculture, to the cost of reinforcement of the administration and for the empowerment of the community where the effects of aquaculture activities are felt.

The main amendments according to the act

According to the act a holder of an operating license shall pay a levy to the Icelandic Treasury, for his production of fish through fish farming in farming areas in the sea. Until passing of the bill, aquaculture companies did not pay any special levy for the production but only the levy (fixed amount) in accordance with its operation license as previously mentioned. The imposition and collection of the production charge is subject to the factual production of the Licensees of operating licenses.

Licensees of operating licenses, issued by the Food and Veterinary Authority, for farming of salmon and rainbow trout in the sea, shall pay the levy as stated in the act. Other fish farming is excluded from paying the levy. That includes the farming of cod and arctic char, which are the other species of fish currently or previously being farmed in Iceland.

The charge shall be determined annually by the Directorate of Fisheries (Fiskistofa) before 1 December in accordance with the following, as laid out in the act:

1. The levy's amount per kilogram of produced salmon shall be based on the average of the international market value on the Atlantic Ocean salmon between August-October before the decision date (1 December each year) and amount to the proportion of the base as follows:
    a. 3.5% when price is EUR 4.8 per kilogram or higher,
    b. 2% when price is EUR 4.3 per kilogram or higher,
    c. 0.5% when price is lower than EUR 4.3 per kilogram.
2. The levy's amount per kilogram of produced rainbow trout shall be half of the above mentioned amount of produced salmon.
3. The levy's amount per kilogram of produced infertile salmon or salmon which is produced in sea area with closed farming equipment shall be half of the above mentioned amount of produced salmon.
    a. This levy does not start until with slaughtered fish from 1 January 2029.

The levy's income base according to the act shall amount to the weight of the product (the fish) from sea, based on gutted fish.

In the event a payer of the levy has to convert the levy from EUR to ISK the exchange rate shall be the central rate of exchange of each month.

According to the act the licensees of operating licenses shall submit a report on each produced fish from the fish farm. The report shall be submitted twice a year; on 1 February for the period between 1 July to 31 December and on 1 August for the period between 1 January and 30 June.

The levy shall be imposed twice a year for the same periods as mentioned above in relation to the report on the fish farming production. The due dates of the levy shall be 15 February and 15 August each year. On 22 November 2019 the Directorate of Fisheries notified on the levy for 2020. The levy for each kilogram of slaughtered salmon shall amount to ISK 1.87 and for each kilogram of slaughtered rainbow trout it shall amount to ISK 0.94.

According to the act these changes take effect from 1 January 2020. The levy is implemented incrementally. In 2020 the levy shall amount to 1/7 of the proportion of the abovementioned levy base, in 2021 the levy shall amount to 2/7, etc. until 2026 the full amount of the levy is charged.

Ireland

Corporate income tax

An Irish tax resident company is liable to tax on its worldwide income with non-resident companies only liable to tax in Ireland in relation to certain asset disposals or where they carry on a trade in the State through a branch or agency.

The standard rate of corporation tax in Ireland is 12.5%. A 25% tax rate applies to passive and non-trading income such as deposit interest, interest on securities and rental income.

The measure of taxable income of a company generally follows the accounting recognition of that income under Irish GAAP/IFRS with some adjustments for non-deductible items, tax depreciation and some tax incentives.

Tax deductions

Expenditure must be incurred "wholly and exclusively" for the purposes of the trade in order to be deductible in calculating trading profits/losses for an accounting period. Certain items of expenditure are regarded as being specifically non-deductible. Expenditure must be of a revenue (income) rather than capital nature. Expenditure will be regarded as capital in nature if (broadly) it relates to the acquisition, enhancement or disposal of a fixed asset, or any other enduring benefit analogous to a fixed asset. Depreciation and amortisation are treated as capital, however tax depreciation (capital allowances) may be available in lieu (see below).

Tax depreciation (Capital allowances)

Accounting depreciation is a non-deductible expense for tax purposes. Instead, tax depreciation (capital allowances) is granted on capital expenditure within the following types of categories:

- Plant, equipment and machinery;
- industrial buildings including factories, mills and dock undertakings
- farm buildings;
- qualifying intellectual property;
- scientific research;
- acquisition of patent rights;

Capital allowances are treated as a deductible expense for corporation tax purposes over an eight year period (12.5% per year) for plant, equipment and machinery and the cost of qualifying industrial buildings are deductible over a 25 year period (4% per year). Similar allowances are available on the acquisition of a wide range of intangible assets including patents, software and registered designs. Accelerated capital allowances are available in respect of expenditure incurred on certain energy-efficient equipment bought for the purposes of a trade. In effect, such items are fully deductible in the year of acquisition subject to meeting certain criteria.

Capital allowances on certain intellectual assets are capped at 80% of the income derived from those assets in a particular year with any excess allowances carried forward into the following year(s).

Chargeable Gains

Capital gains accruing to an Irish resident company on the disposal of assets are subject to corporation tax, at a rate of 33%. Any tax liability on a chargeable gain will be included as part of a company's corporation tax payment in the particular period.

In certain cases, an exemption applies to chargeable gains where an Irish resident holding company disposes of a shareholding in a company located in Ireland, another EU Member State or a tax treaty state. This is subject to a number of conditions;

- The holding company must have a minimum shareholding of 5%
- The company disposed must be a trading company or the business of the holding company, its 5% subsidiaries and the company concerned taken as a whole must consist wholly or mainly of trading activities.
- The minimum shareholding must have been held continuous period, consisting of 12 months in the 24 months prior to the disposal.

Start-up Relief

There is a corporation tax exemption for start-up companies in their first three years of trading. The relief is granted by reducing the corporation tax payable on the profits of the new trade and gains on the disposal of any assets used for the purposes of the new trade. This exemption applies until 2021.

Research and Development (R&D) Tax Credit regime

A 25% tax credit is available on qualifying R&D expenditure i.e. staff salaries and related costs, materials and consumables, capital expenditure and other direct R&D costs. This credit is granted in addition to the standard 12.5% deduction available for such R&D expenditure. A 30% R&D tax credit is available to small and micro companies.

The tax credit is available to trading companies, within the charge to Irish tax, that are engaged in qualifying R&D activity undertaken within Ireland or the EEA. If a company is not carrying on a trade, it may still be in a position to claim the relief if it is part of a trading group. Similarly, a dedicated R&D company of a trading group may qualify for the relief.

The credit can serve to reduce the corporation tax liability for the period in which the expenditure was incurred with any unused balance becoming available for carry-back against the corporation tax liability of the preceding accounting period. Any remaining unused balance is available for carry-forward indefinitely against future corporation tax liabilities of the company or alternatively it is refundable over a 3 year period. Such repayments are capped by reference to the company's payroll tax liability for the relevant period and preceding period or the corporation tax liabilities for the 10 preceding accounting periods for the company.

An R&D tax credit claim must be made within 12 months of the end of the accounting period in which the qualifying expenditure was incurred. In the case of pre-trading expenditure, the claim must be made within 12 months of the end of the first accounting period in which the company traded.

Knowledge Development Box (KDB) regime

The Knowledge Development Box (KDB) regime provides that qualifying profits are effectively taxed at a reduced rate of corporation tax of 6.25%. The regime applies to income from the following intellectual assets which are at least partly developed in Ireland:

- Copyrighted computer programs
- An invention covered by a patent or certain medicinal, plant protection or plant breeder certificates

Marketing-related intellectual property, such as trademarks and brands, are explicitly excluded from the scope of qualifying assets.

Royalty income and other sums relating to the use of qualifying assets are included.

In addition, the profits include the portion of income from the sale of assets or services with embedded intellectual property. This should be calculated on a just and reasonable basis, large companies are subject to transfer pricing rules in calculating intra-group transactions or apportionments.

Where qualifying intellectual assets are only partly developed in Ireland, only part of the income from those assets will qualify for the 6.25% tax rate. The proportion of income qualifying is determined by a nexus formula which is broadly based on comparing the cost of development activity conducted in Ireland with the total cost of development of the qualifying asset.

Tax policy in relation to Covid-19

To deal with the Covid-19 pandemic the Irish government introduced a Temporary Wage Subsidy Scheme and replaced this with an Employment Wage Subsidy scheme (EWSS). These schemes enabled employers to retain their employees throughout the pandemic to enable business recovery after the crisis.

There was also a temporary reduction in the 23% VAT rate to 21% for six months from 1 September 2020 to 28 February 2021.

Special arrangements were put in place to allow deferral of payments of taxes for businesses which were severely impacted by the pandemic.

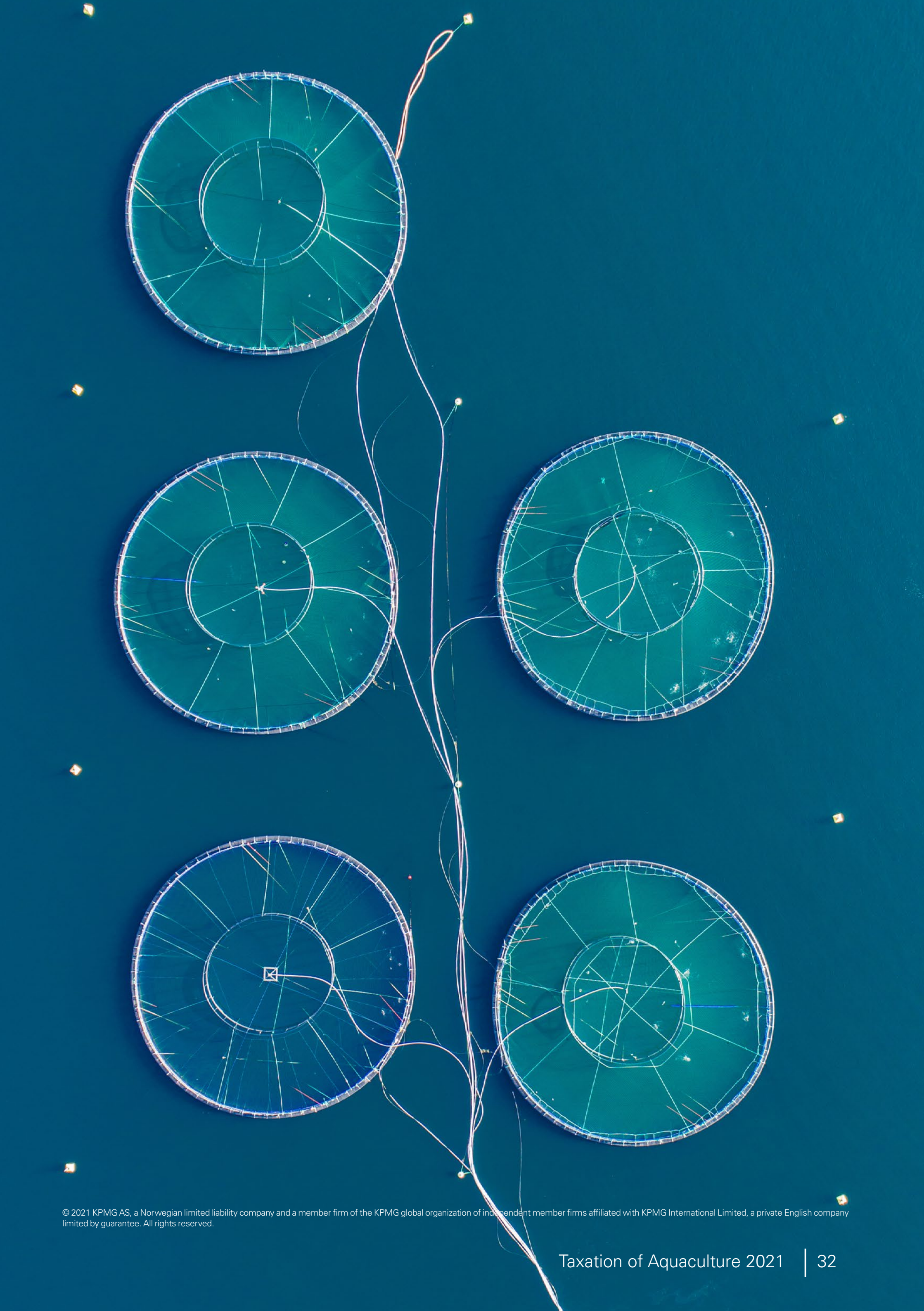
Transfer pricing and other international tax matters

Ireland expanded the scope of its transfer pricing legislation with effect from 1 January 2020 to require the arms' length pricing of non-trading intro-group transactions (including interest free loans) and Capital Gains Tax transactions. The new rules also oblige taxpayers to maintain of OECD compliant documentation to support the arms' length pricing of goods and services. There are exemptions from the transfer pricing rules for small and medium sized entreprises.

Ireland also introduced EU compliant Anti Hybrid and Controlled Foreign Corporation rules in 2020 and expects to introduce rules limiting the deductibility of net interest expense to 30% of EBIDTA in 2022.

Special tax regime for Aquaculture

There are no specific tax reliefs or incentives for companies engaged in aquaculture related activities in Ireland. Aquaculture companies are free to claim the Start-Up, R&D and KDB reliefs outlined above.



Japan

Corporate income tax

Taxes in Japan are imposed by both the national government and local authorities. Companies including aquaculture companies are subject to corporation tax (national income tax), business tax (local tax) and prefectural and municipal inhabitant taxes (local company with capital exceeding 100 million yen). Taking all the national and local taxes in Tokyo into account, generally an effective statutory tax rate is 30.62%.

Tax incentives

Tax credits and incentives for research and development (R&D) cost

Under the 2019 Tax Reform, R&D tax incentives were revised to promote innovation by 1) increasing the tax credit ratio from 10% to 14% (through 31 March 2021), 2) increasing the limitation of tax credits for qualified venture corporations from 10% to 40%, and 3) expanding the scope of open innovation R&D activities to include the B2B outsourced R&D activities and increasing the tax credit limitation from 5% to 10%.

To claim the R&D tax credit, a taxpayer is required to meet an investment amount threshold. Under the 2020 Tax Reform Act, the investment threshold was increased from 10% to 30%.

The maximum creditable amount is 25 percent of the corporation tax liability for the fiscal year. If a company meets the definition of certain venture R&D companies, the maximum creditable amount will be increased up to 40 percent of the corporation tax liability for the fiscal year.

Special taxation measure based on the Regional Future Investment Promotion Act

The Regional Future Investment Promotion was enacted on July 31, 2017 to encourage companies to develop a "project of business which can stimulate the local economy" in accordance with the basic plans prepared by the relevant prefecture and municipality. The business plan will require the approval of the prefecture and the confirmation from the competent authorities, yet the tax and financial incentives are quite appealing;

1. Machinery, appliances and fixtures: 40% special depreciation, 4% tax credit (When certain requirements are met, 50% special depreciation, 5% tax credit)
2. Buildings, attached facilities and structures of specific business facilities: 20% special depreciation, 2% tax credit.

Total acquisition cost up to 8 billion yen may be supported by the relevant prefecture and municipality. The maximum tax credit is limited to 1) 20% of taxable income or 2) income tax in the period.

Establishment of a tax system to promote investment in innovative corporations

In order to promote the supply of new funds to venture companies that will play a key role in innovations, a new "Open innovation tax incentive" has been introduced from 1 April 2020.

Where a corporation engaging in specified business activities acquires the shares of a venture company (i.e. the qualified shares are of a venture company, certified as such by the Ministry of Economy, Trade and Industry [METI]) through an equity investment in such company from 1 April 2020 through 31 March 2022, and accounts for that investment in a special tax account, the investor corporation (i.e. the corporate shareholder) will be eligible for a special income deduction up to 25% of the acquisition cost (deduction limited to the taxable income of the current year).

The income deduction under this tax incentive is limited to JPY 2.5 billion per investment, and JPY 12.5 billion in total, per financial year. The deduction will be subject to recapture if any changes on the capital contribution to the venture company occur within five years from the investment.

The open innovation tax incentive is applicable not only to Japanese venture companies but also to foreign-based venture companies, and the investment amount is applicable from JPY 100 million (or JPY 10 million for SMEs) for Japanese venture companies and JPY 500 million for foreign-based venture companies.

Tax incentives for strengthening local business facilities

For cases which satisfy the outlined requirements, "tax incentives for strengthening local business facilities" are available for companies opening or expanding headquarters functions such as branch offices and research laboratories in local areas outside of the Tokyo Metropolitan Area. The incentives are also available to foreign direct investments or subsidiaries of foreign companies.

1. 1. Employment promotion taxation
    a. In the case of establishment or expansion headquarters functions within regional revitalization areas (including foreign direct investment in Japan): Tax credit of up to 600,000 JPY per new employee
    b. In the case of relocating headquarters functions within regional revitalization areas from the 23 wards of Tokyo: Tax credit of up to 900,000 JPY per new employee
2. Capital investment tax cut
    a. In the case of establishment or expansion headquarters functions within regional revitalization areas (including foreign direct investment in Japan): Buildings, attached facilities and structures of specific business facilities (headquarters function)

Acquisition price: 20 million yen or more (10 million yen or more for small and medium enterprises)
Tax measures: 15% special depreciation or 4% tax deduction on the acquisition value of specified business facilities

b. In the case of relocating headquarters functions within regional revitalization areas from the 23 wards of Tokyo: Buildings, attached facilities and structures of specific business facilities (headquarters function)

3. Tax exemption or unequal taxation of local taxes: certified companies may be able to receive exemptions or reductions on taxes on corporation, property acquisition taxes, and property taxes by local authorities

Other special tax measure for investment in certain equipment

Special depreciation by means of either increased first year depreciation or accelerated depreciation is available for companies filing 'blue form' tax returns in relation to certain fixed assets as specified under the law. Such reliefs merely accelerated the timing of depreciation relief rather than increasing the amount of depreciation which can be taken.

In additions, there are other incentives available at prefecture and/or municipality level.

Value added tax (Consumption Tax)

The consumption tax is a sales-based tax that is similar in nature to a European-style value added tax. The tax is levied on the supply of goods and services in Japan. The tax rate was increased from 8% to 10% on October 1, 2019. However, for food including fish and seafood, the tax rate remains at 8%.

Customs Duties

The EU and Japan's Economic Partnership Agreement (EU-Japan EPA)

The EU-Japan EPA entered into force on 1 February 2019. The most significant result of the EU-Japan EPA was the complete elimination by both sides of all import tariffs and quotas on fish and seafood trade between the two economies. For almost all products, these barriers were removed immediately upon entry into force of the agreement, while for a few products the tariffs will be phased out over a few years. The relative sizes of the two sides' tariffs suggests a greater impact on Japanese markets than on EU consumers.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

On December 30, 2018 the CPTPP entered into force among the first six countries to ratify the agreement – Canada, Australia, Japan, Mexico, New Zealand, and Singapore. On January 14, 2019, the CPTPP entered into force for Vietnam. Upon entry into force, the CPTPP Agreement eliminated most tariffs on fish and seafood exports, creating new opportunities. The remaining fish and seafood tariffs will be phased out over periods of up to 15 years.

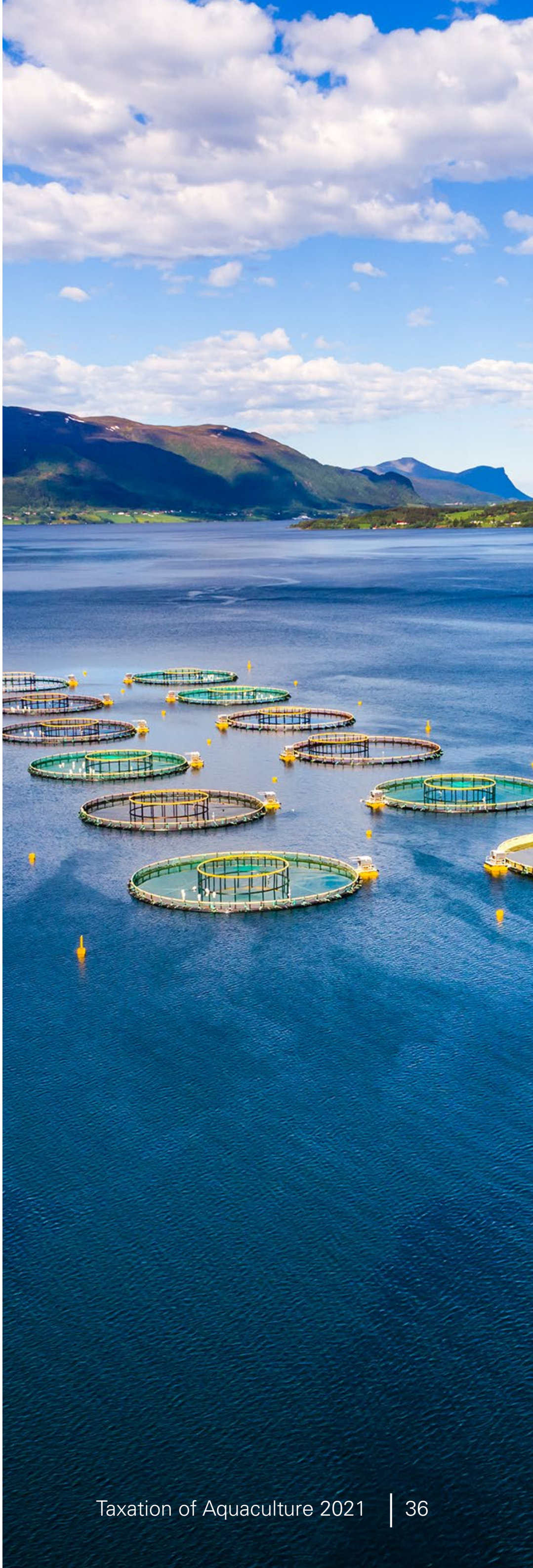
Special tax regime

Apart from the items noted above, there are no specific tax reliefs or incentives for companies engaged in aquaculture related activities in Japan.

Summary

Japan's total production of farmed fish is still relatively low compared to other countries. However, companies in Japan and overseas are slowly catching up, sensing an opportunity of Japanese aquaculture sector as Japan continues to be an active participant of free trade agreements, and new technologies and legal revisions make aquaculture more appealing.

In addition, Japanese government has launched a new tax incentive program to promote the relocation of company headquarters away from central Tokyo. The coronavirus pandemic has pushed companies (including corporations through foreign direct investments or subsidiaries of foreign companies) to overhaul the way they do business.



New Zealand

Corporate income tax

Aquaculture companies in New Zealand are subject to corporate income tax, currently 28%. The tax base for aquaculture businesses are generally determined in accordance with the ordinary tax principles that apply for other companies as well.

Aquaculture livestock is treated as trading stock, which means growth in the biomass during the income year is not treated as taxable income. Generally, the New Zealand tax treatment of trading stock follows the accounting treatment and costs incurred in growing the livestock are capitalised and deductible when inventory is sold.

Aquaculture consents (coastal permit) are typically one of the most important or valuable assets of aquaculture companies. Coastal permits are granted for a definite period of time and are depreciable intangible assets for tax purposes (depreciation is claimed over legal life of the permit). Certain aquaculture improvements are also depreciable for tax purposes.

For a more detailed description of corporate income tax rules in New Zealand:

https://home.kpmg/nz/en/home/insights/2020/01/new-zealand-tax-profile.html

Transfer of Assets

No duty applies on the transfer of land, buildings, and other tangible and intangible assets. New Zealand does not have a comprehensive capital gains tax regime. Tax depreciation previously claimed is clawed-back as income if a business asset is disposed of for more than its depreciated value.

Research and development

Government research and development grants may be made available to companies where certain conditions are met. Further, the New Zealand Government has implemented legislative amendments to provide research and development tax credits for qualifying expenditure. These are 15% of qualifying R&D expenditure.

Base erosion profit shifting ("BEPS") measures

A series of BEPS measures come into effect for income years beginning on or after 1 July 2018. These measures include the following key elements:

- Interest deductibility restrictions to limit interest rates for related party cross-border debt arrangements;
- Further tightened thin capitalization regime that limits the amount of interest deductions if the total interest-

bearing debt-to-assets ratio exceeds certain levels;

- A comprehensive approach to the adoption of the multilateral instruments Articles and progressive amendments to New Zealand's Double Taxation Agreements;
- Denial of tax deductions for hybrid payments; and
- Changes to transfer pricing rules to shift the burden of proof onus to taxpayers and extend statute bar to seven years.

Evaluation of the current taxation – potential tax reform

The New Zealand Government has commissioned a review of the tax system in 2019 and re-affirmed that a comprehensive capital gains tax would not be implemented, and no further work is necessary on that aspect. The Government has since prioritized work on encouraging investment in significant infrastructure projects, continuing to improve the integrity of the tax system and providing economic relief in response to the COVID-19 Global Pandemic.

Norway

Corporate income tax

Aquaculture companies in Norway are subject to corporate income tax, currently 22%. Somewhat simplified the tax base is in principle determined in accordance with the ordinary tax principles that apply for other companies as well. However, there are certain exceptions such as e.g. that increase (growth) in the biomass during the income year is not treated as taxable income. In addition, the cost price for any acquired fish or other aquatic organisms can be deducted directly when the expense is made, or alternatively, the taxpayer may choose to capitalize the purchase price, leading to deduction for tax purposes when the fish is sold. The choice of direct deduction vs. capitalization can be made for each separate purchase.

Aquaculture concessions are typically the most valuable assets of aquaculture companies. Most aquaculture concessions are so called commercial concessions, which are granted for an indefinite period of time and are therefore generally not depreciable for tax purposes. Capital gain arising from transfer of aquaculture concessions through an asset sale is considered as taxable income, subject to corporate income tax. The cost price for concessions is deductible when calculating the capital gain (loss).

For a more detailed description of corporate income tax in Norway:

https://assets.kpmg/content/dam/kpmg/no/pdf/2020/03/Tax-facts-2020_WEB.PDF

Municipal real estate tax

In addition to corporate income tax, the aquaculture industry may be subject to municipal real estate tax (property tax). Municipalities can also decide to levy property tax on floating production installations. The property tax rate can vary between 0.2 % and 0.7 % of the property tax base. The tax base should equal fair market value of the physical installations. The value of the farmed fish is not included in the tax base. Property tax is treated as a tax deductible expense.

Market duty and research duty on export of fish and fish products

Exports are subject to a market fee and a research fee, which are calculated as a percentage of the FOB value of the exported products. The fee varies according to the type of species and product category and varies from 0.3% to 1.05% of the FOB value. For salmon and trout the combined fee is 0.6 % (0.3 % market fee and 0.3 % research fee). The fees are financing the activities of the Norwegian Seafood Council AS (NSC) and the Fishery and Aquaculture Industry Research Fund. For more information see: https://en.seafood.no/

Excise duty on production

Effective from 1 January 2021 aquaculture companies in Norway are subject to an excise duty of 0.4 NOK per kg (HOG) on production of salmon, trout and rainbow trout farmed in the sea. The production fee is imposed on holders of permits (aquaculture concessions) in accordance with the Aquaculture Act, and applies to fish farmers owning facilities in Norwegian territorial waters. Land-based farming is therefore not subject to the production fee. First payment of the fee is due in 2022.

The production fee of 0.4 NOK per kg of salmon, trout and rainbow trout produced is designed as an ordinary excise duty to the Treasury, which is adopted annually by the Parliament.

No special exemptions from the tax applies, other than exemptions pursuant to Norway's obligations under international law, as well as exemptions for deliveries free of charge to the recipient for distribution on a charitable basis.

Businesses (fish farmers) with permits under the Aquaculture Act must register as liable for the tax with the Norwegian Tax Administration. The registration obligation will be linked to the registration of holders of aquaculture concessions in the Norwegian Aquaculture Register.

The excise duty system is based on self-assessment, i.e. the taxpayer himself must ensure the quality of the tax base and pay the due tax. The deadline for submitting a tax return for production fee for 2021 is 18 January 2022. The same deadline applies for payment of the production fee for 2021.

The excise duty on production is limited to fish farmed in territorial waters, i.e. within 12 nautical miles from the sea boundary. Hence, offshore aquaculture is not covered by the fee. However, the geographical area could be extended at a later stage.

Russia

Corporate income tax

Corporate income tax for companies in the aquaculture industry is calculated according to the general rules with the standard tax rate of 20%. However, there are special provisions in the Tax Code of the Russian Federation that allows to apply a 0% tax rate to profits from activities related to the sale of produced and processed agricultural products (including products obtained from the cultivation of fish and other aquatic biological resources, the specific types of which are determined by the Government of the Russian Federation).

Organizations engaged in cultivation of fish and other aquatic biological resources are considered as agricultural goods producers and can apply 0% tax rate, if the share of income from the sale of agricultural products produced by them, including products of their primary processing, produced by them from their own production of agricultural raw materials, as well as from the provision of some services to agricultural producers is not less than 70% of total income from the sale of goods (works, services) of such organizations.

Value Added Tax (VAT)

Under the general rule, sales of goods (works, services) in Russia are subject to VAT at 20% (before 1 January 2019 – 18%). Companies of the aquaculture industry have several VAT preferences.

Aquaculture organizations may apply a reduced VAT rate of 10% for the sale of live fish, with the exception of certain valuable breeds, and for the sale of sea and fish products (including chilled fish, frozen fish and other types of processing), with the exception of delicatessen sea products.

Also, as a general rule, organizations can apply a VAT rate of 0% when exporting goods, including fish products.

Special tax regime

Producers of agricultural products in Russia can apply a special tax regime – the system of taxation for agricultural goods producers (the unified agricultural tax – the UAT). This special tax regime gives the right to pay the tax in the amount of 6% from the object of taxation "income reduced by the amount of expenses", and it replaces for legal entities the payment of CIT, corporate property tax (related to property used in the production, processing and sale of own agricultural products, as well as in the provision of services by agricultural producers); for individuals – the payment of personal income tax, personal property tax (related to property used in the production, processing and sale of own agricultural products, as well as in the provision of services by agricultural producers). The regional authorities of the Russian Federation may reduce the UAT rates up to 0% for all or certain categories of taxpayers.

Other taxes, levies and social payments are paid by organizations that apply the UAT, in accordance with the Russian tax legislation.

Agricultural goods producers involved in cultivation of fish and other aquatic biological resources can apply the UAT, if the share of income from the sale of agricultural products produced by them, including products of their primary processing, produced by them from their own production of agricultural raw materials, as well as from the provision of some services to agricultural producers is not less than 70% of total income from the sale of goods (works, services) of such organizations.

Water tax

In the Russian Federation, there is a tax for the use of water bodies ¬– the Water tax. However, organizations are exempt from paying water tax, if they withdraw of water from bodies of water and use of the water area of bodies of water for fishing farming and the replacement of aquatic biological resources.

Spain

Corporate Income Tax

Aquaculture companies in Spain are subject to Corporate Income Tax (CIT), currently a tax rate of 25%. The tax base for aquaculture businesses is generally determined under the ordinary tax principles that apply for other companies as well.

The taxable income is based on the accounting result determined according to the Spanish GAAP (revenues and gains less expenses and losses) adjusted in accordance to the specific rules contained in the Spanish CIT Law.

The most common tax adjustments to the profit and loss account concerns to provisions for bad debts, portfolio investments, depreciation, non-deductible of certain expenses (donations, fines, etc.), transfer pricing adjustments or earning-stripping rule.

Spanish Companies will be liable for withholding tax obligations as per the CIT regulations.

Additionally, they will also be obliged to make three advance income tax payments, during the first twenty calendar days of the months of April, October and December, on account of the settlement corresponding to the tax period in progress.

Payments on account made and withholdings borne would reduce the final tax liability of the CIT return.

For a more detailed description of corporate income tax in Spain: https://home.kpmg/xx/en/home/insights/2018/07/european-tax-spain-country-profile.html

Tax deductions

There are specific tax incentives existing in the Spanish CIT Law that could be applicable to companies engaged in aquaculture that should be noted:

Research and development (R&D) Tax Credit: A 25% Tax credit is available on qualifying R&D expenditure. If the expenditure incurred in carrying out these activities in the tax period is greater than the average for the preceding two years, the percentage of 25% up to that average and 42% over the excess shall be applied. Furthermore, an additional 17% tax credit shall be applied from the amount of the personnel costs for qualified researchers assigned exclusively to research and development activities.

Investments in tangible and intangible fixed assets, excluding buildings and land, exclusively affected to R&D activities, shall benefit of an 8% tax credit.

Technological innovation ("IT") Tax Credit: A 12% Tax credit is available on qualifying technological innovation expenditure

Value Added Tax (VAT)

Most of the companies engaged in aquaculture related activities applied the general VAT regime, notwithstanding there is a special regime for agriculture, livestock farming and fishing that could be applicable to taxpayers that meet certain requirements.

The application of this regime implies that there is no obligation to charge, settle and pay VAT for sales of natural products obtained in exploitations, nor for the supply of investment goods used in this activity other than buildings. The import of goods, intra-community goods acquisitions and transactions subject to reversed payment liability are all exempt. Recoverable or paid VAT charges on acquisitions of goods or services employed in the activity are not deducted.

In many cases, the taxpayers do not apply this regime due to the impossibility of recover the VAT pay in trafficking operations and in the investments required by the sector.

In general terms, products likely to be commonly and appropriately used for human or animal nutrition are taxed at a reduced rate of 10%.

Special tax regime

There is no specific tax reliefs or incentives for companies engaged in aquaculture related activities in Spain. The Spanish Government has developed a Multi-Annual Strategic Plan of the Spanish Aquaculture (2014-2020), which is its mandate to review the current system in Spain and establishes certain strategies to develop this economic sector for the year 2030. The full document can be accessed through the following link: https://cutt.ly/vrojHxa

UK

Corporate income tax

Currently in the United Kingdom (UK), there are no tax rules in place which are specifically targeted at the aquaculture industry, though corporation tax is chargeable on the worldwide profits (income and capital gains) of companies' resident in the UK. Companies are treated as resident if they are incorporated in the UK, or if the central management and control takes place in the UK.

Following the UK Budget announcement in March 2021, the UK corporation tax rate is to remain at 19% until 31 March 2023. The rate is expected to increase to 25% from 1 April 2023 for companies with profits of more than GBP 250 000 per annum. There will also be a small profits rate of 19% for profits up to GBP 50 000 and a tapered rate for companies with profits between GBP 50 000 and GBP 250 000. Whilst the change in tax rate may not be effective until 1 April 2023, some companies will need to consider the impact of the change in tax rates for financial reporting purposes.

For further details of UK corporation tax please see:

https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/10/uk-country-profile-2020.pdf

Budget 2021 - KPMG United Kingdom

Special tax regime

Capital allowances

Subject to certain conditions, companies investing in qualifying new plant and machinery between 1 April 2021 and 31 March 2023 will benefit from new first-year capital allowances ("the Super Deduction"). Under this measure, investments in main-rate assets will be relieved by a 130% super-deduction (previously 18%), whilst investments in assets qualifying for special rate relief will benefit from a 50% first-year allowance (previously 6%). In addition, the temporary GBP 1 million limit for the annual investment allowance (which gives a 100% deduction in the year of acquisition) has been extended by one year and will have effect from 1 January 2021 to 31 December 2021.

Loss carry back claims

As part of the Budget announcement, the UK Government announced it will temporarily extend the period businesses can carry-back trading losses from one year to three years. This extension will apply to a maximum GBP 2 million of unused trading losses, after carry-back to the preceding year, in relevant accounting periods ending between 1 April 2020 and 31 March 2021 and a separate maximum of GBP 2 million for periods ending between 1 April 2021 and 31 March 2022. The GBP 2 million cap will be subject to a group-level limit, requiring groups with companies that have capacity to carry back losses in excess of GBP 200 000 to apportion the cap between its companies.

Transfer Pricing

The arm's length principle applies, in general, to transactions between related companies (whether or not resident in the UK). Two companies are related if one controls the other, or if they are both under common control. Under the self-assessment regime, companies are obliged to apply any necessary transfer pricing adjustments. Penalties are imposed for non-compliance.

The UK has implemented the OECD Model for country-by-country reporting. The UK resident ultimate parent entity of a multinational group must file a county-by-country report in respect of any accounting period immediately following the first accounting period ending after 31st December 2015 in which the group's total consolidated revenue equals or exceeds EUR 750 million. Where the ultimate parent entity of such a group is not resident in the UK and is not itself obliged to file a report, a UK resident entity within the group may be required to do so.

Controlled Foreign Company (CFC)

The CFC regime is designed to focus on the artificial diversion of profits from the UK. To the extent that the profits of a CFC fall within certain 'gateway' provisions and none of the entity exemptions apply, those profits (i.e. profits computed broadly following UK tax principles but excluding capital gains) are apportioned to its shareholders. However, only UK companies which have an interest of 25 percent or more in the CFC (including interests held by connected or associated persons) are subject to UK corporation tax on the profits apportioned to them.

Corporate Interest Restriction

The corporate interest restriction (CIR) regime disallows interest-like expenses to the extent that the net tax-interest expense for UK companies (broadly, finance charges taken from the UK tax computations) exceeds the interest capacity.

The interest capacity is based on a percentage of tax-EBITDA (earnings before interest, tax, depreciation and amortisation) or, if lower, a modified debt cap limit, but is always at least GBP 2 million. The percentage to be used is derived from either the fixed ratio method or, by election, the group ratio method.

Research and Development (R&D)

Qualifying expenditure attracts:

- An R&D Expenditure Credit (RDEC) of 13% (taxable) for large companies; or
- An additional tax deduction of 130% of the expenditure for Small and Medium-sized Enterprises (SMEs).

Where a SME is loss making, a tax credit of up to 14.5% of the surrenderable loss can be claimed.

In addition, capital expenditure on assets for R&D use or to provide facilities for R&D can attract a 100% first year deduction.

With effect from 1 April 2020, the R&D tax credit rate increased from 12 percent to 13 percent for large companies.

Also announced in the Budget was that the UK government will carry out a review of R&D tax reliefs, with the consultation in respect of this review closing on 2 June 2021. This review will consider all elements of the two R&D tax relief schemes, to make sure the

UK remains a competitive location for cutting edge research and that the reliefs continue to be fit for purpose.

Patent Box

The Patent Box regime allows companies of all sizes to apply a reduced 10% corporation tax rate to profits attributed to patents, plus other similar intellectual property types.

WHT exemption on interest and royalty payments

It was announced in the 2021 UK Budget that domestic legislation that gives effect to the EU Interest and Royalties Directive will be repealed. This legislation currently provides an exemption from withholding tax on intra-group interest and royalty payments between UK and EU companies. From 1 June 2021 withholding taxes will apply to payments of annual interest and royalties made to EU companies, subject to the terms of the relevant double taxation agreement. Businesses affected should therefore urgently consider the need to apply for treaty clearance.

EU MDR/DAC6

In 2018, the European Union introduced new EU Mandatory Disclosure Rules (EU MDR or DAC6) in 2018 which Member States are required to transpose into their domestic law. As of 1 July 2020, these rules require disclosure of reportable cross-border arrangements, which must bear one or more certain specific hallmarks, to the tax authorities. Reportable transactions that were enacted in the transitional period (25 June 2018 to 30 June 2020) will also need to be disclosed. The rules apply to direct taxation and so are primarily focused on corporate tax and income tax. However, some forms of indirect tax may be included.

Reporting deadlines under the UK implementation of DAC6 was set at 30 days from their relevant reporting trigger. However, as a result of the severe disruption caused by the COVID-19 pandemic, the EU allowed Member States to defer the DAC6 reporting until early 2021.

Following the Free Trade Agreement negotiations between the UK and the EU, a significant reduction in the scope of DAC6 reporting in the UK has been announced. In particular:

- DAC6 reporting in the UK will still be required for a limited time, but only for arrangements meeting Hallmarks D (arrangements undermining AEOI and disguising beneficial ownership). This will apply retroactively to 25 June 2018.
- The UK will consult on draft legislation and implement the OECD's MDR recommendations under BEPS Action 12. This means that DAC6 will likely be replaced by new "UK MDR" rules in the near future.

For further information on EU MDR visit: Mandatory Disclosure Requirements - Updates - KPMG Global (home.kpmg)

Brexit

The UK is a Member State of the European Union (EU), and, as such, applies EU law where required. However, following the referendum held in June 2016, the UK voted to leave the EU and departed on 31 January 2020. The transition period that was in place –

during which nothing changed – ended on 31 December 2020. A free trade agreement was agreed between the UK and the EU taking effect from 1 January 2021.

The immediate changes from a corporate tax perspective are that the UK has lost access to EU directives, potentially leading to additional taxation on certain transactions. The withdrawal of reliefs based on EU directives include the Parent-Subsidiary Directive and Interest and Royalties Directive and may impact withholding taxes on interest, royalties and dividends paid by associated companies which are resident in EU member states. From 1 January 2021, the UK also no longer has access to the EU Arbitration Convention governing tax disputes.

For further information on Brexit visit: https://home.kpmg/uk/en/home/insights/2020/12/tmd-the-corporate-tax-landscape-after-brexit.html

For further information on the Chancellor's UK Budget 2021 visit: Budget 2021 - KPMG United Kingdom

USA

Corporate income tax

Aquaculture companies formed in the U.S. are generally taxed according to the ordinary corporate tax principles that apply to other companies and their taxable income are subject to the federal corporate income tax of 21% in the hands of the corporation. Such companies would likely also be subject to state income taxes (state corporate tax rate: 2.5 % - 12 %) and state imposed sales and use taxes.

A U.S. company's profits are taxed in the year earned in the hands of the corporation and are then again taxed when the earnings are distributed to the shareholders. A dividends received deduction may be available to a corporate shareholder, in receipt of a taxable dividend, depending upon the corporation's ownership percentage in the payor. Individual shareholders may be subject to tax on the receipt of a dividend at a preferential rate. Dividends paid by a U.S. corporation to foreign companies and non-resident individuals may be subject to a withholding tax of up to 30%, which may be reduced under an applicable double tax treaty.

The U.S. corporate tax regime offers benefits to farming businesses regarding net operating losses and depreciation. Generally, carryover of net operating losses post 2017 is limited to 80% of taxable income with no provision for carryback and an indefinite carryforward period; however, a two-year carryback is allowed for net operating losses related to certain farming business losses. The CARES Act passed in 2020 removed this 80% limitation for tax years 2018-2020, and also extended the NOL carryback period to 5 years. For certain machinery and equipment used in a farming business that was placed into service after 2017 of which the taxpayer is the original owner, a shortened five year recovery period is permitted. For tangible personal property acquired and placed into service after September 27, 2017, and before 2023, 100% expensing is allowed. Net business interest expense deductions can be limited in years after 2017 if the net business interest expense is in excess of 30% of a business's adjusted taxable income. The CARES Act passed in 2020 increased this rate to 50% for taxable years 2018-2020.

Research and development

Taxpayers may generally deduct certain research and development costs incurred in connection with their business. Further, a R&D tax credit may be available to taxpayers increasing R&D expenditures. The credit includes a 20% credit for increased qualified research expenses over a base amount plus a 20% credit for increased basic qualified basic research payments.

Qualified research expenses include both in-house and contract research expenses. Qualified research is that which is undertaken to discover information that is technological in nature, for a permitted purpose, to eliminate a technical uncertainty, and requires a process of experimentation.

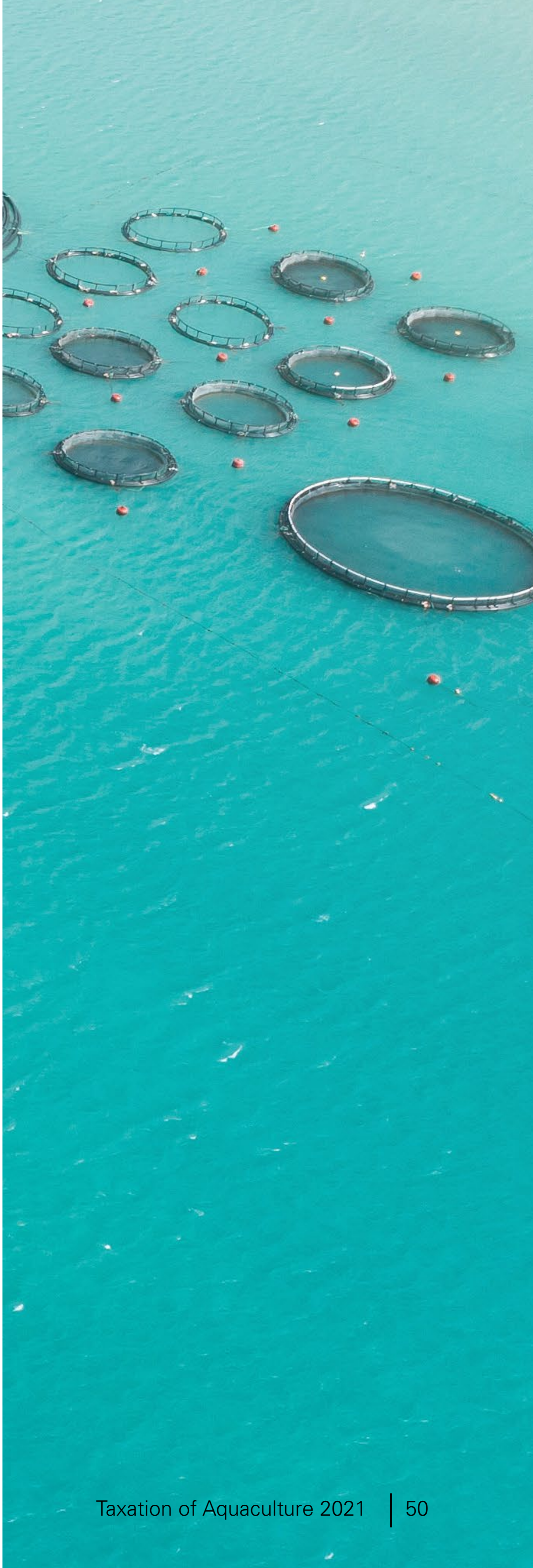
Such a credit may be available for developing new products or processes and improving a product or process, regardless of the success of the development effort.

Foreign-derived intangible income (FDII) benefit

The U.S. provides a 13.125% effective tax rate on "excess returns" earned directly by a U.S. company from foreign sales or services (increased to 16.406% in 2026). Stated generally, FDII is the amount of a U.S. company's deemed intangible income that is attributable to sales of property to foreign persons for use outside the U.S. or the performance of services to persons, or with respect to property, located outside the U.S. Thus, with respect to income eligible for FDII, a U.S. company is generally subject to the standard 21% tax rate to the extent of a fixed 10% return on depreciable tangible assets and a 13.125%(increased to 16.406% in 2026) tax rate on any excess return that is attributable to exports of goods or services.

Special tax regime

There are no specific tax reliefs, incentives, or penalties for companies engaged in aquaculture related activities in the U.S.



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