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Taxation of Aquaculture 2022

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.

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.

Net wealth tax

Norway has recently introduced new tax regulations, which have resulted in a significant increase in the valuation (tax basis) of aquaculture licenses when calculating the net wealth tax. This comes in addition to a significant increase in the net wealth tax rate and has resulted in a lot of media coverage and a heated debate.

Net wealth tax in Norway is taxed in the hands of the shareholders (individuals) and does only apply to individuals that are tax resident in Norway. For many shareholders in private companies, it is strictly necessary to receive dividends to be able to pay the net wealth tax.

Dividends are also generally taxable in the hands of the shareholders (individuals). Therefore the companies must gross up the dividend amount to be distributed to take into account the dividend tax. Hence, it could be argued that the net wealth tax is in reality a tax that is indirectly paid by the companies by way of dividend distributions to the shareholders.

We have as part of the update of this report for 2022 also included an overview of which countries that have a net wealth tax. Based on this overview there are only two countries that currently have net wealth tax: Norway and Spain. However, in Spain there is an exemption, family business relief, which may apply. Chile is currently considering introducing a net wealth tax, with effect from 2024, which shall apply for net wealth above approx. USD 5 million.

Continuous improvements of the report – additional countries

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.

Additional countries, i.e. Greece, Japan and Spain were included in the updated reports for 2020. Russia was also added in the updated report for 2021.

Due to war in Ukraine, KPMG decided to leave Russia and there is currently no KPMG member firm in Russia. For this reason we have no description for Russia in the updated report for 2022.

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.

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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
Spain	25
UK******	19
USA*******	21
Average	**21.8 – 22.7**

* CIT rate is currently 25 % if turnover is less than AUD 50 million in a financial year.

** 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 2.8 million), be under the "Pro Pyme" regime where the CIT rate is 25 %.

*** Ordinary CIT rate is 25%. A 15 % rate may apply for companies operating in the western region of China until 31 December 2030. Aquaculture companies (marine and inland aquaculture) may benefit from CIT exemption or be 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)

***** 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
Spain		
UK		
USA		

* Aquaculture companies (marine and inland aquaculture) may benefit from CIT exemption or be 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.

Net wealth tax

Country	Net Wealth Tax	
	Yes	No
Australia		X
Canada		X
Chile*		X
China		X
Denmark		X
Faroe Islands		X
Greece		X
Iceland		X
Ireland		X
Japan		X
New Zealand		X
Norway	X	
Spain**	X	
UK		X
USA		X

* A bill is currently being discussed in Congress, which will incorporate wealth tax in Chile for net worth above approx. USD 5 million, with effect from 2024 based on net worth at the end of 2023.

** Exemption may apply (family business relief).

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 30%. If turnover is less than AUD 50 million, for 2021-22 and future tax year, the company tax rate is reduced to 25%. 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.

Depreciation and amortization overview (diminishing value)

Description	Annual rate (%)
Permanent dam facilities	100% (when on primary production land)
Land based buildings	2.5% / 5%
Floating pier (environmental structure)	13.33% (5% if it is a dry dock)
Feed facilities (feeders, including belts, pendulum, scatter and blower)	40%
Feeding boat	13.33% (10% if longer than 10 meters)
Ice machine	25%
Refrigeration and freezing systems	20%
Hatchery	20%
Fish breeding cage	20%
Water displacement system	40%
Acquired goodwill	0%

Concession leasing tax

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.

Land use tax

Land use tax may be payable; however, this will be subject to the rules in each State jurisdiction.

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.

Tax incentives

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.

Special tax regime

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

New potential tax reform/rules that will affect aquaculture

A change to Australia's thin capitalisation rules has been proposed to modify the safe harbour calculation from an asset-based test to an interest cover measure.

The proposed changes would apply from 1 July 2023.

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.

Depreciation and amortization overview

Depreciation included in the financial statements is a non-deductible expense for tax purposes and is added back on the tax return. Instead, tax depreciation (capital cost allowance) is generally calculated on a declining-balance basis at prescribed rates and is deducted for tax purposes. The deduction is generally limited in the first year the asset is available for use (referred to as the half year rule). Tax depreciation may be fully or partially claimed at the taxpayer's discretion. Depreciable capital assets are generally pooled into various classes.

The following are some general declining-balance depreciation rates for major categories of assets:

Description	Annual rate (%)
Facilities / buildings on land	4 – 10%
Machinery and equipment	20%
Motor vehicles	30%
Office equipment	20%
Computers	55%
Goodwill and intangibles	5%

Accelerated inventive investment property (AIIP)

Previously, for property acquired in the year, the capital cost allowance (CCA) allowed to be deducted in the first year was generally limited to half the amount that would otherwise be available in respect of that property (i.e. the 'half-year rule'). The half-year rule was implemented to account for assets that were purchased throughout the taxation year that would otherwise be eligible for the maximum CCA and applies to the net additions (additions in excess of disposition) for the particular class.

Recently, a special accelerated CCA regime was introduced for AIIP, providing further tax incentives for capital spending in Canada. The AIIP regime effectively suspends the half-year rule in respect of eligible property. Under the AIIP regime, certain capital property acquired after 20 November 2018 and available for use before 2028 may be eligible for an enhanced CCA. This enhanced CCA is equal to three times the normal first-year allowance or one and a half times the CCA using the prescribed rate for property available for use before 2024 and two times the normal first-year allowance for property available for use after 2023 but before 2028.

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).

Transfer tax

Most of the provinces impose land transfer taxes on transfers of real property: land, buildings, and other improvements. Some provinces only impose land transfer tax on registered transfers, whereas others impose it on both registered and unregistered transfers. In Ontario and certain other provinces, the transfer of interests in partnerships that hold real property can also attract land transfer tax. The rates of land transfer tax vary by province and range from 0.25 to 2 percent of the consideration for the real property transferred. Certain exemptions from land transfer taxes apply to non-arm's length transactions (common control). Alberta, Newfoundland and Labrador and Saskatchewan do not impose a land transfer tax; they instead levy registration fees that are generally not significant. Some of the provinces may impose land transfer tax if a transfer of shares occurs within a certain period after the transfer of real property that was eligible for a non-arm's length exemption. No stamp or transfer duties are generally payable on the transfer of shares.

Provincial sales tax/local surcharges

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 7% (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.

VAT

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.

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.

International tax matters

Canada imposes debt-to-equity rules that limit the ability of non-residents to withdraw profits with respect to non-deductible interest charges. Interest on the portion of debt owed by a Canadian corporation to certain non-residents that exceeds 1.5 times the shareholder's equity of the Canadian company is not deductible. The interest that relates to the portion of the debt below the 1.5:1 debt-to-equity threshold is generally deductible. Interest that relates to the portion of the debt above the 1.5:1 debt-to-equity threshold is treated as a deemed dividend subject to withholding tax. The thin capitalization rules apply if the shareholder is a specified shareholder, which includes non-resident shareholders and other related parties who together own at least 25 percent of the voting shares or 25 percent of the fair market value of all the shares in the company.

Canadian transfer pricing rules require a taxpayer transacting with a non-arm's length non-resident to use arm's length transfer prices and terms and comply with certain contemporaneous documentation requirements. Failure to use arm's length transfer prices may result in a transfer pricing adjustment and penalties, including penalties for insufficient contemporaneous documentation. Intercompany balances and arrangements between a foreign parent and its Canadian subsidiary that do not reflect arm's length terms may be subject to adjustment or re-characterization under Canada's transfer pricing rules. Recent proposed legislation confirms that the transfer pricing rules are to be applied in priority to other provisions.

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 2.8 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.

Depreciation and amortization overview

Due to normal wear and tear of tangible capital or fixed assets owned by the taxpayer, an annual depreciation allowance is deducted from gross taxable income as an expense on a yearly basis. The Chilean tax authority published a list with the depreciation years for different assets.

In most cases, taxpayer may choose normal or linear depreciation, or accelerated depreciation, which is done in one third of the years in normal depreciation. Below you can find the normal or linear useful life of certain assets, based on the Chilean tax authorities list.

If an asset is not included in the list, the taxpayer may propose a useful life to the tax authorities.

Description	Annual rate (%)
Facilities on land	10
Permanent dam facilities	20-80
Feed facilities	3
Feeding boat	10 – 23
Refrigeration and freezing systems	9 - 10
Hatchery	3
Fish breeding cage	3
Time-limited concession license	Not amortizable
Acquired goodwill	Not amortizable

Deductions

Chilean companies are allowed to deduct expenses, provided they comply certain general requirements:

- that the expense is necessary to generate the company's income;
- that the expense must not be forming part of the direct cost of the goods or services that generate such income;
- that it must be duly supported and documented to the satisfaction of the SII (Chilean tax authorities);
- that it must be incurred within the company's ordinary course of business; and
- that it must be deducted in the period in which they accrue or are paid whichever is the earliest.

Note that there are specific categories of expenses which, in addition to comply with these general requirements, must met some additional requirements.

Concession leasing tax

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. This is increased to 20 UTM per hectare if the species are considered exotic.

Real estate tax

Under the Real State Property Tax, urban or rural immovable property is subject to a property tax payable by the owner(s). The tax is levied on that part of the cadastral value of immovable property exceeding the relevant exempt limit without regard to the number of owners or to the taxpayer's personal wealth. The cadastral value only considers the value of the land and constructions.

The range can vary between 0% to 1,143%.

Provincial sales tax/local surcharges

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).

VAT

As a general rule, VAT charged on business related purchases and expenses is recoverable as a VAT credit, assuming the taxpayer's activities are subject to VAT and the purchases or expenses are related to such activities. Chilean VAT works on an input VAT (VAT credit) against output VAT (VAT debit) system basis. Under the general credit/debit mechanism, the amount of VAT to be paid is determined by the difference between output VAT or VAT debit (i.e. VAT on sales and/or services performed by the taxpayer) and input VAT or VAT credit (i.e. VAT borne by the taxpayer on the purchase of goods or services used in activities subject to VAT, including tax borne in imports and transactions where the reverse charge mechanism applies). Excess VAT credit can be carried-forward indefinitely and is indexed to local inflation.

Exports are not taxed with VAT but allow for VAT recovery.

Tax incentives

There are several tax incentives regime in Chile, which may be applicable depending on the details of each company. These may be incentives on import of capital assets, acquisition of capital assets, R&D expenditure, donations, among others.

International tax matters

Chile has been an economy open to international markets for over 30 years, becoming an attractive jurisdiction for foreign investors and commercial partners.

To achieve this, the country has a wide network of tax treaties, with more than 30 treaties in force, in addition to 4 treaties which are signed but not yet in force. In addition, there are free trade agreements with major economies (such as the US, Canada, the European Union, the EFTA, among others), several south American and Asian economies.

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.

New potential tax reform/rules that will affect aquaculture

The new Administration, which took office on March 2022, is proposing a new tax reform.

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%. A 15% rate may be secured for qualifying aquaculture companies operating in the western region of China until 31 December 2030. 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.

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.

Small company: From 1 January 2021 to 31 December 2022, the portion of the annual taxable income amount of a small low-profit enterprise, which does not exceed RMB 1 million, shall be subject to CIT, at a 20% tax rate, on a reduced tax base of 12.5% of the taxable income amount. This means an effective tax rate of 2.5% on this part of the enterprise income. From 1 January 2022 to 31 December 2024, the portion of annual taxable income, which exceeds RMB 1 million but does not exceed RM B3 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.

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 RMB 3 million, staff headcount does not exceed 300 and the total assets do not exceed RMB 50 million.

Deductions

Companies purchasing prescribed equipment that aids in the advancement of various environmental or other goals, such as protecting the environment, conserving water or reducing energy usage, and enhancing production safety, are eligible for a CIT credit equivalent to 10% of the qualifying equipment investment cost. This credit is applied against the current year's CIT payable, with any unutilized credit to be carried forward for the following five tax years.

Furthermore, a 100% immediate tax deduction (i.e. capital expensing) is available (until December 2023) for purchased equipment or machinery with a unit value less than RMB 5 million (USD 0.73 million).

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.

Water resource tax

Surface water and underground water extracted within the prescribed limit for aquaculture may be exempted from water resource tax (WRT). WRT is rolled out on a pilot basis from 1 December 2017 in certain areas.

Provincial sales tax/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%.

VAT

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, or 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 million. In response to the COVID-19 pandemic, from 1 April 2022 to 31 December 2022, the small-scale VAT taxpayers who are subject to 3% VAT rate can be exempted from VAT.

In addition, VAT small-scale taxpayers whose monthly sales are below RMB 150,000 (including RMB 150,000) 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:

1. 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;
2. The VAT credit balance must have grown by not less than RMB 500,000 over that same 6-month period;
3. The taxpayer's tax credit rating must be an "A" or "B" (which effectively denotes them as being highly compliant taxpayers);
4. 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;
5. The taxpayer has not benefited from the VAT refund upon collection and VAT refund after collection policies from 1 April 2019;
6. 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;
7. 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.

Further, from 1 April 2022, if an aquaculture company falls under the eligible small and micro-sized enterprise, it may claim a full refund of its accumulated excess input VAT credits; the refund of incremental excess input VAT can be claimed on a monthly basis going forward.

Special tax 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.

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 and amortization overview (FY21)

Description	Annual rate (%)
Buildings on leased land	4 %
Draining facilities	Until 20 % per year
Water displacement system	Until 20 % per year
Perpetual concession license	1/7 per year
Time-limited concession license	1/7 per year
Acquired goodwill	1/7 per year

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.

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:
Intangible assets 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.

R&D depreciation
As an outset Danish companies have from the 2018 income year been allowed to get an extra tax deduction for re-search and development ("R&D") costs. Consequently, one may get an extra tax deduction of 1.5% of all R&D costs spent in 2017/2018 and in 2018/2019. The extra tax de-duction increases to 10% in the income year 2025/2026. However, in 2020, 2021 and going forward, the deductibil-ity has temporarily increased to 130%. On 21 January 2022 a parliamentary agreement was reached, which contained a permanent tax deduction of 130 % of costs relating to R&D.

In extension to the below we have attached a memo that explains which criteria should be fulfilled to get the extra tax deduction. In our experience, the Danish tax authori-ties are quite restrictive in their assessment of which costs qualify for the extra tax deduction, so this is subject to uncertainty.

We currently experience that the Danish tax authorities are challenging the scope of qualified R&D expenses for tax purposes. Neither the wording of the Danish Tax Assess-ment Act section 8B, nor the preparatory work includes a clear definition of the covered expenses.

The Danish tax authorities have listed the following cumu-lative requirements for expenses to be qualified:

1. The project must be novel: The news value is deter-mined based on the general level of knowledge in the sector in which the entity is operating in.
2. The project must have a certain level of creativity: A project must be based on new ideas. Routine activities are not considered as qualified R&D expenses for tax purposes.
3. The project must have an element of uncertainty: There must be some level of uncertainty regarding costs, timeline or whether the desired result is achievable.

Especially the novelty requirement is being tightened by the Danish tax authorities and we see the authorities argue that it should be documented that a similar product, pro-cess, or service does not already exist in a market. This requirement is not mentioned in neither the wording of the R&D provision nor in the explanatory notes.

Further, the authorities have taken the position that costs qualifying as operational expenses or costs incurred from development of non-marketable processes such as produc-tion processes are not qualified for the R&D tax deduction.

Deductions

Real estate tax

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 2021)).

Customs duties

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. However, a Faroese company cannot hold more than 50% of the total sea licenses. 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.

Barriers to entry

Fish farming companies in the Faroe Islands are subject to anti-trust regulations, which sets a cap of 20% for either direct or indirect foreign ownership in Faroese fish farming companies holding salmon farming licenses.

Depreciation and amortization overview

Description	Annual rate (%)
Facilities on land	7% / 2%
Permanent dam facilities	7% / 2%
Floating pier	30%
Feed facilities	30 %
Feeding boat	30 %
Ice machine	30 %
Refrigeration and freezing systems	30 %
Hatchery	7% / 2%
Fish breeding cage	30%
Water displacement system	30 %
Perpetual concession license	N/A
Time-limited concession license	N/A
Acquired goodwill	10%

Deductions

Customs duties

Goods originating in the European Union, Iceland, Norway, or Switzerland are exempt from import duties. Goods originating from other countries may be subject to customs duties and GATT-toll upon importation to the Faroe Islands

VAT

Supplies of goods and services in connection with aquaculture business are considered taxable transactions for VAT purposes in the Faroe Islands. Goods exported from the Faroe Islands are usually zero-rated.

International tax matters

As of 2020, disposal of shares in a Faroese company is subject to capital gains tax for non-resident individuals and companies. The applicable rate is 18% for legal entities and 35% for non-resident individuals.

Non-resident individuals and companies, must declare their capital income from disposal of shares, convertible bond etc.

Be advised that investment made prior to 2020 will also be subject to taxation upon disposal.

The tax liability is subject to treaty relief. Companies domiciled in a Nordic country are not subject to capital gains tax.

Special tax regime

Harvest tax

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 Index. (https://fishpool.eu/fish-pool-index/). 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:

If average price per kilo is lower than DKK 32	Tax rate is 0.50%
If average price per kilo is DKK 32 or higher, but lower than DKK 36	Tax rate is 2.50%
If average price per kilo is DKK 36 or higher	Tax rate is 5.00%

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

Corporate income tax

Aquaculture companies in Greece are subject to corporate income tax, currently 22%. 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 22%.

Depreciation and amortization overview

According to the Greek Tax Code, for determining business profits, tax depreciation of assets is deducted from:

1. The owner of the fixed assets, or
2. The lessee, in the case of financial leasing within the meaning of IFRS.

Mandatory depreciation on a fixed annual basis applies by using fixed asset depreciation rates stipulated by tax law. The transfer of depreciation amounts between two tax years is not permitted.

In the light of the above, the depreciation rates that are applicable to assets in the following table are depicted below:

Description	Annual rate (%)
Facilities on land	4%
Permanent dam facilities	4%
Floating pier	4%
Feed facilities	4%
Feeding boat	12%
Ice machine	10%
Refrigeration and freezing systems	10%
Hatchery	10%
Fish breeding cage	10%
Water displacement system	10%
Perpetual concession license	10% if the life duration of the asset is 10 years or not explicitly determined based on the relevant contracts
Time-limited concession license	100%/life duration of the asset in years (if the duration is other than 10 years)
Acquired goodwill	10%

The categorization of an asset should be completed by the entity which uses the asset based on its use, purpose, and special features. In case where an asset cannot be categorized under the categories stipulated under the Greek tax law provisions, 10% depreciation should apply under "Other assets" category.

Deductions

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.

A company will lose its right to carry forward its tax losses if: (i) during a fiscal year, the direct or indirect shareholding status or voting rights of its shareholders is subject to amendment that exceeds 33% of share capital value or number of shares respectively and jointly (ii) the company's business activity results in more than 50% change in its turnover (compared to the turnover of the year before the shareholding status change) during the same year or the year following the amendment in the participation/ voting rights.

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

Concession leasing tax

Not applicable.

Real estate tax

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.

Customs duties

Customs duties are imposed on the importation of certain goods from countries outside the EU. Customs duties are calculated in accordance with the EU tariff classification and the value of the imported goods and are paid at the customs office of importation upon customs clearance. Placing goods under a special regime can suspend payment of import duties until their customs clearance in Greece. Exportations of goods from Greece are not generally subject to export duties.

Entities carrying importations to, and exportations from, Greece are not required to register with a special customs registry. However, such entities are generally required to possess a Greek VAT registration number and a valid EORI number. Finally, although not required to, entities dealing with customs formalities usually opt to appoint a Greek customs agent in order to ensure their compliance with the complex Greek customs procedures.

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).

Tax incentives

By virtue of Law 4887/2022 incentives (such as tax exemption, grant, leasing subsidy, wage subsidy, risk financing) were introduced for targeted activities for the green and digital transition, for supporting inno-vative investments and investments introducing the new technologies of "Industry 4.0", robotics and artifi-cial intelligence, as well as strengthening employment and entrepreneurship. The investment law provides specific criteria and conditions that they are required to be fulfilled in order for Greek entities to benefit from the provisions of this law.

International tax matters

Not applicable

Special tax regime

Not applicable

New potential tax reform/rules that will affect aquaculture

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.

Other

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.

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://assets.kpmg/content/dam/kpmg/is/pdf/2022/02/KPMG_TaxFacts_2022.pdf

Depreciation and amortization overview

Description	Annual rate (%)
Facilities on land	3-6%
Permanent dam facilities	3-6%
Floating pier	20-35%
Feed facilities	20-35%
Feeding boat	10-20%
Ice machine	10-30%
Refrigeration and freezing systems	10-30%
Hatchery	3-6%
Fish breeding cage	20-35%
Water displacement system	10-30%
Perpetual concession license	20-100%
Time-limited concession license	20-100%
Acquired goodwill	10-20%

Deductions

There are no special rules on deduction for aquaculture but there is a general rule on deduction of expense for business operations.

According to Article 31 of the Icelandic Income Act operating expenses are deductible. Operating expenses are those expenses in the year that have resulted from the creation of income, establishing it and/or maintaining it.

Production fee/tax

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 Special Drawing Rights (SDR) for each ton which the operation licenses are issued for.

Land use tax

Aquaculture companies may be subject to payment of a harbor levy, which varies between harbors.

Tax incentives

Companies which invest in research or development projects (R&D) and have obtained confirmation by the Iceland Centre for Research, are entitled to a special deduction from income tax amounting to 35% of expenses incurred on the projects for small and medium sized companies and 25% for large companies, provided the expenses fall under deductible operating expenses.

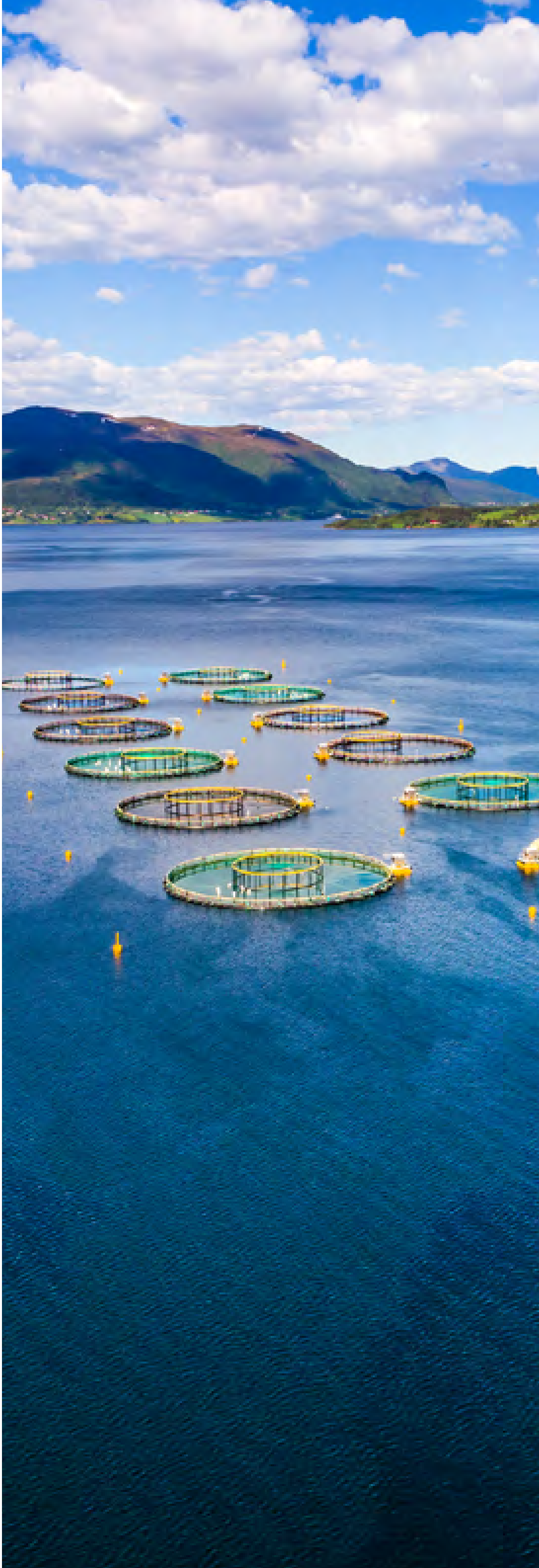
The maximum amount on which the deduction is calculated within each company is ISK 1,100 million for each fiscal year, of which up to ISK 200 million can be due to purchased research or development services. In the case of joint projects the same amount applies to the project as a whole, but the deduction is divided proportionally between the companies participating in the joint project.

Expenses incurred on each research and development project must be kept separate from other expenses incurred and supporting documents must be accessible to the tax authorities upon request.

International tax matters

Iceland has in place transfer pricing legislation, which for examples require intra-group transaction to be executed at arm's length.

The transfer pricing provision is based on the arm's length principle. If prices are not in accordance with the principle, they shall be adjusted using the transfer pricing guidelines issued by the OECD. Related party definition extends to direct or indirect ownership and/or control of legal entities as well as individuals which are considered related by family.



Companies which total revenue or assets in the beginning of the year or at year end exceeds ISK 1,000 million are obligated to keep documentation about the nature and extent of transactions with related parties, the nature of the relationship and the basis of price decided. The document obligation refers to the guidelines issued by the OECD.

The documentation obligation does not apply to transactions between related parties that are domiciled in Iceland.

Special tax regime

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:

- 3.5% when price is EUR 4.8 per kilogram or higherb.
- 2% when price is EUR 4.3 per kilogram or higher,
- 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.

- 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 17 November 2021 the Directorate of Fisheries notified on the levy for 2022. The levy for each kilogram of slaughtered salmon shall amount to ISK 11.92 and for each kilogram of slaughtered rainbow trout it shall amount to ISK 5.96.

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

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.

Corporation tax exemption:
Start-up Relief: There is a corporation tax exemption for start-up companies in their first five 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 2026.

Depreciation and amortization overview

Description	Annual rate (%)
Facilities on land	4% if an industrial building, dock undertaking
Permanent dam facilities	0%
Floating pier	4% if an industrial building, dock undertaking
Feed facilities	4% or 12.5%
Feeding boat	12.5%
Ice machine	12.5%
Refrigeration and freezing systems	12.5%
Hatchery	4% or 12.5%
Fish breeding cage	12.5%
Water displacement system	12.5%
Perpetual concession license	Accounting amortisation or over 15 years*
Time-limited concession license	Accounting amortisation or over 15 years*
Acquired goodwill	Accounting amortisation or over 15 years*

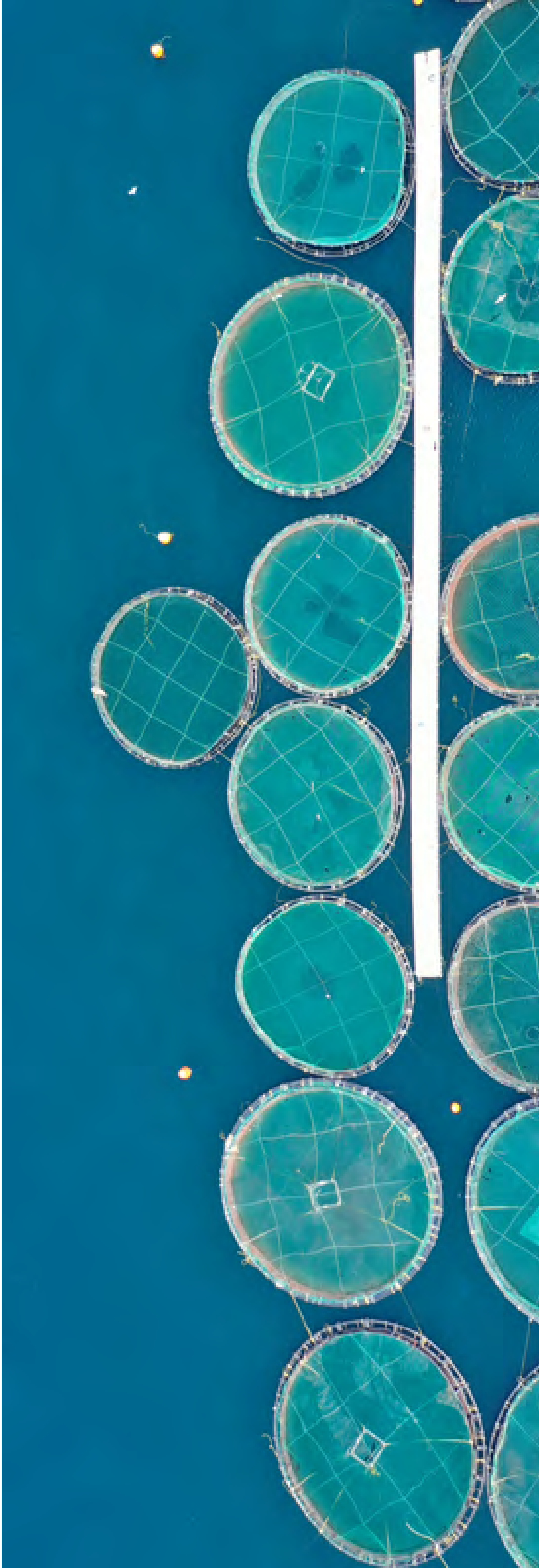
*Only if a Specified Intangible Asset as defined in legislation

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).



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).

VAT

Ireland operates an EU Directive based system of VAT with VAT charged on goods and services and recoverable by businesses involved in the supply of VATable goods and services.

The VAT rates are 0%, 13.5% and 23%.

Tax incentives
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.

International tax matters

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 enterprises.

Ireland also introduced EU compliant Anti-Hybrid and Controlled Foreign Corporation rules in 2020 and introduced rules limiting the deductibility of net interest expense to 30% of EBIDTA in 2022. The interest limitation rules apply only where a tax deduction for net interest expense exceeds EUR 3 million.

Special tax regime

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.

New potential tax reform/rules that will affect aquaculture

Ireland expects to introduce legislation to comply with the EU Anti-Tax Avoidance and OECD BEPS Pillar 2 regime. This is expected to apply to Groups with turnover in excess of EUR 750 million.

Other

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. These measures are being phased out in 2022.

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 and prefectural (local tax), and municipal inhabitant tax (local companies 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%.

Depreciation and amortization overview
A company may generally select either the straight-line method or declining balance method for the computation of tangible fixed assets. However, buildings, attachment to buildings, and certain other structures acquired during specific periods of time must be depreciated using the straight-line method. Calculations for intangible assets and certain leased assets must also employ this method.

With the exception of these cases, the default depreciation method for most assets is the declining balance method.

Depreciation rates vary and are determined by the depreciation method used, useful life of the asset, and other factors.

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 the tariffs for a few products 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. In January 2019, the CPTPP entered into force for Vietnam and in September 2021 for Peru. It will enter into force for Brunei, Chile, and Malaysia after the completion of their respective processes for ratification, while other countries such as South Korea have started the process for joining. 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.

Regional Comprehensive Economic Partnership (RCEP)
The Regional Comprehensive Economic Partnership was signed in November 2020. The most significant feature of the RCEP is that it is the first FTA with China and South Korea, partners representing 26% of Japan's total trade.

VAT

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, food (including fish and seafood) are still subject to the 8% tax rate with the exception of meals consumed at restaurants (dining out).

Though Japan does not currently have a VAT invoicing system, it is proposed that an invoicing system will come into effect starting from October 2023. Businesses are currently in the middle of a 4-year transition period, started in October 2019, in which they are to indicate which items are subject to a reduced rate under the multiple rate system and determine the total sales amounts by each tax rate when preparing accounting records and invoices. For small business whose taxable sales during their base period do not exceed JPY 50 million, it is acceptable to use a simplified method of calculating the tax amount based on an estimate of sales eligible for the reduced rate.

After the introduction of the invoice system, it will be necessary to apply for registration with the tax office and be registered as a qualified invoice issuing company in order to issue invoices.

Tax incentives

Tax credits and incentives for R&D costs: Japan offers tax credits for total R&D expenditure and specified R&D expenditure to incentivize innovation and growth.

Tax credit for total R&D expenditure

Large companies can receive tax credits ranging from 2% to 14% of total R&D expenditure. The maximum creditable amount caps at 25% of the total corporation tax liability for the fiscal year. However, if a corporation meets certain requirements for a venture R&D company, the maximum creditable amount can be increased to up to 40% of the total corporation tax liability for the fiscal year.

SMEs (generally defined as companies with capital of JPY 100 million or less) can receive tax credits ranging from 12% to 17% of total R&D expenditure with the maximum creditable amount capping at between 25% and 35% of the total corporation tax liability for the fiscal year. Similarly, to large companies, the maximum creditable amount for SMEs meeting certain requirements for a venture R&D company can increased up to 40% of the total corporation tax liability for the fiscal year.

Furthermore, large companies and SMEs whose R&D ratio (total R&D costs / average sales for the preceding 3 fiscal year and current fiscal) exceeds 10% are eligible for an additional tax credit of up to 10%.

Tax credit for specified R&D expenditure ("open innovation" credit)
Specified R&D costs incurred via joint or consignment R&D with certain national R&D institutions, universities, private enterprises, etc. are subject to a credit of up to 30% of the creditable amount. The maximum creditable amount is capped at 10% of the total 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.

Special measures to promote open innovation
Special measures allow for certain deduction from taxable income to encourage companies to invest in new businesses through investment in venture companies that will play a key role in innovations.

Corporations engaging in specified business activities that acquire specified shares between April 1, 2020 and March 31, 2022, continue to own the share at the end of the fiscal year, and record 25% or less of the acquisition cost of the shares as a special account are eligible for deduction up to the total amount recorded in the special account.

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 required investment amount is JPY 100 million or more (JPY 10 million or more for SMEs) for Japanese venture companies and JPY 500 million for foreign 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. 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 SMEs)
- 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)

- Acquisition price: 20 million yen or more (10 million yen or more for SMEs)
- Tax measures: 25% special depreciation or 7% tax deduction on the acquisition value of specified business facilities

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 prefectural and/or municipal levels.

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. As circumstances around the fisheries and aquaculture sector continue to change and evolve especially due to the effects of the COVID-19 pandemic, Japan is continuing to actively participate in efforts surrounding free trade agreements, adapting to new technologies, and highlighting the importance of SDGs pushing policies for sustainability, innovation, and overall economic growth related to aquaculture in Japan.

New Zealand

Corporate income tax

Aquaculture companies in New Zealand are subject to corporate income tax, currently 28%. The tax base for aquaculture businesses is 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 permits) 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

Depreciation and amortization overview

Description	Annual rate (%)[1]
Buildings	2%
Dams	2%
Floating piers	6%
Feeders	16%
Vessels	10%
Ice making machines	20%
Refrigeration and freezing systems	20%
Hatchery	13%
Fish breeding cage	13%
Water displacement system	8%
Perpetual concession license	TBC[2]
Time-limited concession license	TBC
Acquired goodwill	N/A

[1] Diminishing value depreciation rate.
[2] Coastal permits granted for a definite period of time are depreciable (over the legal life of the permit).

Deductions

Tax is deductible on any improvements made to a sea-cage salmon farming business, provided these improvements are contained in schedule 20, parts B to F of the Income Tax Act 2007. This deduction is calculated using a deduction percentage multiplied by the diminished value of the improvement. Deductions for aquacultural businesses are governed by section DO 12 of the Income Tax Act.

Real estate tax

New Zealand does not tax the capital gains from selling a business. However, sale of assets may result in a Goods and Services Tax (GST) obligation. The sale of residential property may be taxable depending on the intention of the sale and how many years have passed since the property was purchased.

Customs duties

Customs duties in New Zealand depend on the good purchased and the price paid. GST also applies to customs duties in New Zealand.

Land use tax

There is no national land use tax in New Zealand. Land users pay rates to local councils based on capital and/or land value.

Water tax

New Zealand does not have a water taxation system. Use of water is either included in rate payments to the local council or paid to a council owned entity.

Provincial sales tax/local surcharges

This does not apply to New Zealand.

VAT

New Zealand has a Goods and Services Tax (value-added tax) of 15%.

Tax incentives

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. The credit is equal to 15% of qualifying R&D expenditure.

International tax matters

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.

Special tax regime

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.

New potential tax reform/rules that will affect aquaculture

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.

Tax depreciation and amortization

Aquaculture licenses are typically the most valuable assets of aquaculture companies. Most aquaculture licenses are so called commercial licenses, 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 licenses 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).

Depreciation and amortization overview

Description	Annual rate (%)
Facilities on land	4
Permanent dam facilities	4
Floating pier	4 or 10
Feed facilities	20
Feeding boat	14
Ice machine	20
Refrigeration and freezing systems	10 or 20
Hatchery	20
Fish breeding cage	20 or 14
Water displacement system	4
Perpetual concession license	0 (* write-down if evident decline in value)
Time-limited concession license	Straight-line depreciation (e.g. 10-year concession is depreciated with 1/10 of the cost price per year)
Acquired goodwill	20

The costs of assets with an estimated economic life of less than 3 years and of assets costing less than NOK 15 000, may be deducted immediately.

Deductions

In general, all ordinary expenses incurred in acquiring, securing, and maintaining taxable income are deductible.

Norway has implemented earnings-stripping rules, which restrict interest deduction for tax purposes.

Joint operation and co-localisation

The Norwegian aquaculture legislation allow for two types of cooperation between companies that hold aquaculture licenses in Norway: (1) joint operation; or (2) co-localisation. Such cooperation can give trigger complex tax issues and should be considered in more detail on a case-by-case basis.

Concession leasing tax

Not applicable. New commercial aquaculture licenses are sold bi-annually at a combination of fixed prices or on auction to the highest bidder.

Real estate tax

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 0.1% 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.

Customs duties

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/

Production fee/tax

Excise duty on production

Aquaculture companies in Norway are subject to an excise duty of 0.405 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 licenses) in accordance with the Aquaculture Act and applies to fish farmers owning facilities in Norwegian territorial waters. Land-based farming is not subject to the production fee.

The production fee of 0.405 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 obligation under international law, as well as exemptions for deliveries free of charge to the recipient for distribution on a charitable basis.

The excise duty on production is limited to fish farmed in territorial water, i.e. within 12 nautical miles from the sea boundary. Hence, neither land-based aquaculture, nor offshore aquaculture, is covered by the fee. However, the geographical area could be extended at a later stage.

VAT

Entity engaged in a business enterprise is required to charge and pay VAT on supplies of goods and services, provided that total sales and private use exceeds NOK 50,000 over a period of 12 months.

The standard rate of VAT is 25%, but special rates apply to supply of foods and beverages (15%).

Joint operation and co-localisation

The Norwegian aquaculture legislation allow for two types of cooperation between companies that hold aquaculture licenses in Norway: (1) joint operation; or (2) co-localisation. Such cooperation can give trigger complex VAT issues and should be considered in more detail on a case-by-case basis.

Tax incentives

Tax credit for research and development (R&D) cost

A research and development (R&D) credit called "SkatteFUNN" is granted to resident taxpayers and to non-resident taxpayers that are liable to tax in Norway. The credit is given at the rate of 19% of relevant expenditure up to NOK 25 million. To qualify, the research must be approved by the Research Council of Norway.

The credit is granted in addition to the regular deduction (either directly or through depreciation) of the underlying R&D expenditures.

Other support schemes

There are also other support schemes that could provide investment support, conditional loans or cash grant if specific criteria are met.

International tax matters

Transfer pricing

The arm's length principle generally applies to transactions between related parties. The OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations apply.

Thin capitalization

There is no general thin capitalization legislation. However, to the extent that the debt and interest paid by a resident company are not in accordance with the arm's length principle, the debt and interest may be reclassified as equity or dividends, respectively.

CFC rules ("NOKUS")

If a non-resident company is resident in a low-tax jurisdiction and is at least 50% owned or controlled, directly or indirectly, by resident taxpayers (corporate and individual), its profits, whether distributed or not, are attributed proportionately to its resident shareholder.

Withholding tax (WHT)

Payments of dividends, royalties and interest can be subject to withholding tax under Norwegian domestic tax law.

Dividends are subject to 25% withholding tax unless a lower rate applies under a tax treaty. Dividends paid to corporate shareholders resident within the EEA are exempt from withholding tax if the corporate shareholder meets the substance test (properly established in the EEA country and perform real economic activities there).

Royalty and interest paid from a Norwegian company or permanent establishment (PE) to foreign related entities located in low-tax jurisdiction are subject to 15% withholding tax. Royalty and interest paid to foreign related entities resident within the EEA are exempt from withholding tax if the foreign entity meets the substance test (properly established in the EEA country and perform real economic activities there).

Special tax regime

Not applicable

New potential tax reform/rules that will affect aquaculture

The Norwegian Government has appointed a special committee to review the Norwegian tax system and propose changes, among other also to consider resource rent taxation. The committee shall issue its report with a deadline of 1 November 2022.

Spain

Corporate Income Tax (CIT)

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.), impairments 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://assets.kpmg/content/dam/kpmg/xx/pdf/2018/06/country-profile-spain-2018.pdf

Depreciation and amortization overview

Amortization expenses would be deductible for CIT purposes provided that they correspond to the effective depreciation of the asset. In this regard, it would be considered as effective depreciation, among others, the amount resulting from applying the maximum depreciation coefficients established in the Spanish CIT Law for the corresponding kind of asset, unless the taxpayer was able to prove a higher depreciation value.

In any case, please note that the incorporation of an asset into a specific category is not a clear issue. Thus, a specific analysis of the case at hand should be carried out.

In order to be considered as tax deductible, these expenses must meet the general deductible expenses:

1. accrued,
2. supported documentation and
3. related to the company's economic activity.

In addition to that, the amortization expenses must be recoded for accounting purposes.

Description	Annual rate (%)
Facilities on land	3% (maximum tax rate for industrial buildings)
Permanent dam facilities	10% (maximum tax rate for other installations)
Floating pier	10% (maximum tax rate for other installations)
Feed facilities	10% (maximum tax rate for other installations)
Feeding boat	12% (maximum tax rate for machinery)
Ice machine	12% (maximum tax rate for machinery)
Refrigeration and freezing systems	12% (maximum tax rate for machinery)
Hatchery	10% (maximum tax rate for other installations)
Fish breeding cage	10% (maximum tax rate for other installations)
Water displacement system	10% (maximum tax rate for other installations)
Perpetual concession license	In principle, depreciation according to the maximum tax coefficients of the specific asset
Time-limited concession license	In principle, depreciation according to the period of concession (useful life).
Acquired goodwill	5%

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%.

Real Estate Tax (RET)

Real Estate Tax is levied annually on the basis of the official value of the properties (cadastral value) registered in the Property Registry, including land and building.

The amount of RET due depends on the municipality in which the property is located.

The taxpayer is the owner of the property (or the holder of certain rights over real estate) at January 1st of the given year.

Business Activity Tax (BAT)

BAT is a local tax payable annually on any business activity conducted within the territory of Spain.

There is a BAT exemption for the first two years of activity, and a further exemption for companies with a total turnover of less than EUR 1 million (on a Spanish group basis) in the previous year.

Tax incentives

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

<u>Research and development (R&D) Tax Credit:</u>
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.

<u>Technological innovation (“IT”) Tax Credit:</u>
A 12% Tax credit is available on qualifying technological innovation expenditure.

With effects from 2022 onwards, a minimum CIT quota has been approved, by means of which the tax quota to be paid by taxpayers whose turnover during the precedent fiscal year exceeds Euro 20 million, or which are taxed under the tax consolidation regime cannot be lower than the 15% of the tax quota.

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

United Kingdom

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 and a substantive enactment on 24 May 2021, the UK corporation tax rate is to remain at 19% until 31 March 2023 and thereafter 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.

Capital allowances

Companies are free to determine their depreciation policy in line with generally accepted accounting principles (GAAP). However, depreciation is not an allowable expense under UK tax legislation. Capital allowances will be available for qualifying plant and machinery in lieu of accounting depreciation.

The categories for capital allowances are as follows:

Main rate capital allowances
This will apply at a rate of 18% on a reducing balance basis for most qualifying plant and machinery.

Special rate capital allowances
This applies at a rate of 6% on a reducing balance basis on specific assets outlined in legislation.

Structures and buildings allowances
This is available for non-residential buildings or structures constructed on or after 29 October 2018. Relief is provided at 3% on a straight-line basis.

Super deduction and Annual Investment Allowance
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 further extended and will have effect until 31 March 2023.

Intangible Fixed Assets and writing down election
In some restricted cases, relief may be available for the accounting amortisation or impairment of intangible fixed assets, or an election may be available to claim an annual writing down allowance at a fixed rate. However, the rules relating to this are complex and specific analysis is required to determine what relief (if any) is available.

Description	Annual rate (%)
Facilities on land	3% for building shell (i.e. floors, walls, windows, etc.)
	6% for background plant and machinery (i.e. electrical system, water system)
	18% for plant and machinery (i.e. equipment, furniture, etc.)
Permanent dam facilities	3%
Floating pier	3%
	6% if provided mainly to carry plant or machinery (or 18% if expected to last less than 25 years)
Feed facilities	3% for building shell (i.e. floors, walls, windows, etc.)
	6% for background plant and machinery (i.e. electrical system, water system)
	18% for plant and machinery (i.e. equipment, furniture, etc.)
Feeding boat	6% (or 18% if expected to last less than 25 years)
Ice machine	6% (or 18% if expected to last less than 25 years)
Refrigeration and freezing systems	6% (or 18% if expected to last less than 25 years)
Hatchery	6% (or 18% if expected to last less than 25 years)
Fish breeding cage	6% (or 18% if expected to last less than 25 years)
Water displacement system	6% (or 18% if expected to last less than 25 years)

VAT

The standard rate of VAT is 20% and the reduced rate is 5%. At the Spring Statement in March 2022, the UK government announced that VAT on the installation of energy saving materials had been cut from 5% to 0%.

Tax incentives

Research and Development (R&D)
Qualifying expenditure attracts:

1. An R&D Expenditure Credit (RDEC) of 13% (taxable) for large companies; or
2. An additional tax deduction of 130% of the expendi-ture 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.

At the Spring Statement in March 2022, the UK government announced that all cloud computing costs associated with R&D, including storage, will now qualify for R&D relief. The government is also considering increasing the generosity of the RDEC scheme ensure the UK remains internationally competitive. We expect more details about any changes to come in the Budget in Autumn.

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.

Green Freeports/UK Freeports
The Scottish and UK Governments are currently inviting organisations to bid on the location of two Green Freeports in Scotland, with the first Green Freeport expected to become operational

in Spring 2023. Green Freeports will potentially offer various direct and indirect tax incentives to businesses operating within a Green Freeport. More details of these incentives are still to come.

In 2021, eight freeport locations were announced in England, which offer various incentives including enhanced capital allowances and relief from stamp duty land tax and National Insurance Contributions.

International tax matters

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% 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.

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.

Brexit

Following a 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.

EU MDR/DAC6
In 2018, the European Union introduced new EU Mandatory Disclosure Rules (EU MDR or DAC6) 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:

1. DAC6 reporting in the UK will still be required for a limited time, but only for arrangements meeting Hall-marks D (arrangements undermining AEOI and dis-guising beneficial ownership). This will apply retroactively to 25 June 2018.
2. The UK has consulted on draft legislation, with find-ings to be published in the near future, and will im-plement the OECD's MDR recommendations under BEPS Action 12. This means that DAC6 will likely be replaced by new "UK MDR" rules, with their imple-mentation expected to be enacted later in 2022.

BEPS Pillar 2
Pillar 2 of the BEPS (Base Erosion and Profit Shifting) regime introduces a global minimum effective tax rate of 15%, which will apply to MNE groups with a total consolidated group revenue above EUR 750 million.

MNEs which fall within the ambit of the rules will have to calculate the effective tax rate (ETR) on a jurisdictional basis. Where the ETR in any jurisdiction is below 15%, the rules provide a mechanism for the imposing of a top up tax to achieve this minimum. The UK has recently concluded on a consultation on the UK application of the rules. The rules are expected to come into effect in the UK from 1 April 2023 for some of the provisions.

Notification of Uncertain Tax Treatments
The uncertain tax treatments regime came into effect on 1 April 2022 and applies to large businesses, defined as having turnover of greater than GBP 200 million and/or balance sheet total of greater than GBP 2 billion. It aims to encourage greater disclosure to HMRC and reduce the revenue loss to the government arising from a difference in interpretation of tax law between HMRC and large businesses.

Under the regime, businesses are required to notify HMRC of any uncertain tax treatments in the returns where the resulting tax advantage is GBP 5 million or more. The in-scope taxes include corporation tax, VAT, and income tax. Penalties will apply for failure to notify, late notifications and incomplete or incorrect notification unless there is a reasonable excuse for the failure to comply.

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.

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.

The profits of a U.S. company 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 dividend received deduction may be available to a domestic 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. 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.

Tax incentives

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.

For our calendar year clients, beginning on January 1, 2022, all Section 174 R&E costs (including software development) must be capitalized and amortized (over five years if the activities are conducted in the United States and over 15 years if the activities are conducted outside the United States). Some have initially reacted that it was merely the creation of a timing difference, and then realized there can be other permanent implications (e.g., use of foreign tax credits, expense allocations related to international provisions, computations of tested income for GILTI, etc.).

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.

New potential tax reform/rules that will affect aquaculture

Note, the U.S. administration's budget for 2022 includes changing the US corporate income tax rate to 28%.

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