



International Tax Europe and Africa May 2016

This e-newsletter gives you an overview of international tax developments being reported globally by KPMG member firms in the Europe and Africa regions between **1 May and 31 May 2016**.

Africa	Bulgaria	Czech Republic	EU	Finland
Germany	Hungary	Italy	Latvia	Lithuania
Luxembourg	Mauritius	Namibia	Netherlands	Nigeria
Norway	Poland	Portugal	Russia	Serbia
South Africa	UK			

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	Tax area concerned	Relevant date/Case reference	Description of measures and publication link (<i>Considerations in italic where necessary</i>)
Africa			
KPMG publications	Tax guides	2016	KPMG tax guides provide information about the tax systems within each African country. Each country guide contains information about: income tax; corporate tax; information and tax implications for non-residents; capital gains; transfer pricing rules; VAT; transfer duties. Read more

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Bulgaria			
KPMG publications	Tax card	2016	KPMG in Bulgaria has prepared a "tax card" that sets forth for 2016, the rates that apply for corporate tax, WHT, VAT, (personal) income tax and others. Read more

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Czech Republic			
Proposed legislation	Various tax areas	2017	<p>Given comments received about a proposed 2017 amendment to the income tax law, the tax administration has revised its proposal and has abandoned (at least for now) some of its original intentions. Specifically, the tax administration has decided to abandon plans to:</p> <ul style="list-style-type: none">— impose a restriction concerning non-taxation only in instances of re-billing of non-deductible expenses— revise the tax treatment of interest paid to individuals. <p>On the other hand, the tax administration will continue with its proposals regarding a number of other issues, such as extending the possibility of depreciating technical improvements made by sub-lessees to assets acquired before the effective date of the amendment or gratuitous supplies.</p> <p>Read more</p>

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EU			
Tax legislation adopted and regulatory update	State aid	19 May 2016	<p>The European Commission published a Notice on the notion of State aid as referred to in Article 107(1) TFEU.</p> <p>Read more</p>
Proposed legislation	Anti-tax avoidance	13 May 2016	<p>The draft Council Conclusions on the EU Commission's Communication on an External Strategy for Effective Taxation and on the Commission Recommendation on the implementation of measures against tax treaty abuse were published.</p> <p>Read more</p>
		25 May 2016	<p>The Economic and Financial Affairs Council (ECOFIN) met to discuss and agree on its position on the draft anti-tax avoidance directive (ATAD). Although both the Dutch Presidency, the Commission as well as a number of Member States pressed for adoption of the current draft Presidency compromise on the ATAD, no agreement was concluded and the matter has been postponed until the next ECOFIN meeting.</p> <p>Read more</p>
	Dispute resolution	2016	<p>On February 16, 2016 the EU Commission launched a public consultation on double taxation dispute resolution mechanisms, which closed on May 10,</p>

		2016. KPMG member firms and professionals from KPMG's Global Transfer Pricing and Dispute Resolution Practices took the opportunity to reply to the questionnaire and submit a further explanatory memorandum summarizing their position on this issue. Read more
VAT	May 2016	The European Commission has withdrawn two VAT proposals: — a proposal for a standard VAT return — a proposal regarding the treatment of insurance and financial service. Read more
	2017	The executive body of the European Union is committed to deliver on its 1993 promise of a single VAT area—a final proposal is to be agreed and published for 2017. In addition the EC wants to close the “VAT gap”—the difference between tax due and tax collected. Lastly, a “modernized rates policy” would be intended to reflect recent trends of digitization and to address unfair tax rate competition. Read more

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Finland			
Proposed legislation	Statute of limitation	2017	The government of Finland, in a draft bill, proposes to shorten the limitations period for all tax matters to three years, from the current five-year limitations period, starting in tax year 2017. This proposal would have implications for when claims for refunds of withholding tax could be allowed. Read more

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Germany			
Administrative and case law	Trade tax	May 2016	Germany's Federal Constitutional Court determined that a request from a lower court, for judicial review of the trade tax add-back rules was “inadmissible.” Read more

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Hungary			
Tax legislation adopted and	Accounting	May 2016	There have been recent amendments to the accounting rules concerning how to interpret accounting errors, changes to rules for an increase of

regulatory update			the registered capital of limited liability companies, and changes to the compensation for the cost of collection. Also, IFRS implementation in relation to the closure of the 2015 financial year may affect tax items. Read more
Proposed legislation	Various tax areas	May 2016	Hungary's government published tax proposals that, if enacted, would make changes to Hungarian tax law affecting both corporate and individual taxpayers. Read more

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Italy			
Tax legislation adopted and regulatory update	Patent box	May 2016	The Italian tax authority published a circular with guidelines and procedures for implementing the "patent box" regime. Read more
	VAT	May 2016	New measures in Italy extend the reverse-charge mechanism under the value added tax (VAT) regime to the supply of game consoles, tablets, and laptops. Read more The Italian tax authorities published the first guidelines under the "mini one-stop shop" (MOSS) regime relating to value added tax (VAT) in Italy. The MOSS regime applies across Europe for purposes of collecting VAT with respect to telecommunications, broadcasting, or electronically supplied services provided to non-business consumers. Read more

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Latvia			
Tax legislation adopted and regulatory update	Compliance	30 June 2016	With Latvia's accession to the euro-zone, a law was enacted to require companies to restate their share capital and the nominal value of shares in EUR. The deadline for registering these restated values with Latvia's enterprise registry is 30 June 2016. Read more

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Lithuania			
Tax legislation adopted and regulatory update	Corporate income tax / Individual income tax	May 2016	KPMG in Lithuania prepared a report that provides information concerning the following for individual (personal) income tax purposes:

			<ul style="list-style-type: none"> — peer-to-peer lending activities — rules for completing the annual individual income tax return — caps on maternity allowances. <p>Information about corporate income tax developments concerns the taxation of dividends and the terms for filing the corporate income tax return.</p> <p>Read more</p>
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Luxembourg			
Proposed legislation	Capital gains	May 2016	<p>The Luxembourg government previously announced measures relating to the 2017 tax reform—including one that would be intended to encourage the supply of land and homes in Luxembourg, by providing reduced tax rates for gains realized on the disposition of qualifying real estate (other than a taxpayer's principal residence which would continue to be exempt from tax).</p> <p>Read more</p>
Administrative and case law	Individual taxation	26 May 2016	<p>The Court of Justice of the European Union issued its decision in the Kohll-Schlesser case (C-300/15). The case concerns Luxembourg rules, which grant a tax credit to resident pensioners receiving pension income, subject to the condition that they have a certificate of deduction of Luxembourg tax, i.e. in effect limited to Luxembourg source pensions. The CJEU held that not granting the credit in respect of pensions received in connection with previous employment in the Netherlands, was a restriction of the free movement of workers which was not justified.</p> <p>Read more</p>

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Mauritius			
Treaties	Double tax treaties	10 May 2016	<p>Representatives of the governments of India and Mauritius signed a Protocol to amend the income tax treaty between the two countries. The Protocol is pending the ratification procedures of each country before it can enter into force.</p> <p>Read more</p>

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Namibia

KPMG publications	Tax card	2016	KPMG in Namibia prepared a “tax card”—a tax reference guide—for 2016-2017. The tax card provides tax rates and other items for individual and corporation taxpayers, and provides information about VAT and other indirect taxes in Namibia. Read more
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Netherlands			
Proposed legislation	Patent box	May 2016	The Dutch government launched a consultation on proposed changes to the Dutch innovation box regime. The proposed changes follow the recommendations made in the BEPS final recommendations under BEPS Action 5 issued by the OECD and recent evaluations on the working of the Dutch innovation box. Read more
	WHT	May 2016	A communication from the Deputy Minister of Finance, sent to the lower house, may indicate that there could be a change to the withholding tax rules that apply for cooperatives. Read more
Administrative and case law	Fiscal unity	May 2016	A Dutch court of appeals held that under certain income tax treaties, a request to form a fiscal unity between sister companies must be allowed—even if the joint parent company is established in a third country (that is, a country outside the European Union (EU) or European Economic Area (EEA)). Read more

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Nigeria			
Administrative and case law	Corporate income tax	May 2016	The Tax Appeal Tribunal, Lagos, found that taxation is strictly based on the statutory provisions, and not on contracts or agreements. Accordingly, the tribunal determined that all expenses wholly, exclusively, and necessarily incurred by the taxpayer for purposes of its petroleum operations were deductible, and were not limited to the extent of the taxpayer's 40 percent equity participation in a joint venture with the Nigerian National Petroleum Corporation. The case is: <i>Chevron Nigeria Ltd.</i> Read more
			The Tax Appeal Tribunal, Lagos, held that provisions under the Nigerian law specifically governing offshore production contracts, and relied upon by the Federal Inland Revenue Service to assert that certain costs

			<p>were not tax-deductible, did not apply because those particular provisions relate to cost recoverability and oil allocations—and not to the tax deductibility of expenses.</p> <p>Read more</p>
	Tax audits	May 2016	<p>There are reports from Nigeria that the Federal Inland Revenue Service (FIRS) has intensified its efforts to recover unpaid taxes from defaulting taxpayers, and to enforce compliance with tax law provisions. The FIRS has conducted VAT and withholding tax monitoring exercises of some companies, and has affixed “non-compliance stickers” on the premises of some defaulting companies.</p> <p>Read more</p>

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Norway			
Proposed legislation	Corporate income tax	2018	<p>A political agreement on future tax amendments has been reached, and among the agreed measures are proposals for a reduction to the rate of corporate income tax to 23 percent by 2018 and changes to the earnings stripping rules.</p> <p>Read more</p>

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Poland			
Administrative and case law	Tax audits	May 2016	<p>The Ministry of Finance updated a list of “frequently asked questions” concerning the selection of taxpayers for audit, pursuant to the standard audit file method. These new or updated FAQs were issued following a public consultation.</p> <p>Read more</p>

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Portugal			
Tax legislation adopted and regulatory update	Tax incentives	May 2016	<p>Under a program—Portugal 2020—there are incentives being made available in 2016 for small and medium size enterprises (SMEs). Under the incentive regime, applications must be submitted by an assigned deadline.</p> <p>Read more</p>

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Russia

Tax legislation adopted and regulatory update	Tax compliance	30 June 2016	Amendments concerning voluntary disclosure by individuals of foreign-held assets and bank accounts were signed by the president in April 2016. The law was amended to extend the deadline for the submission of certain declarations to 30 June 2016 (from 31 December 2015). Read more
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Serbia			
Tax legislation adopted and regulatory update	VAT	May 2016	Serbia's Ministry of Finance issued "comments" concerning the registration of foreign entities for VAT purposes. Read more

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South Africa			
Proposed legislation	Sugar tax	May 2016	Given concerns about the increasing obesity rates in South Africa and an announcement in the 2016 budget speech of a proposed "sugar tax" in South Africa, some may question whether a tax on sugar is an effective way to change consumer behavior. Read more

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UK			
Tax legislation adopted and regulatory update	Custom duties	17 May 2016	HM Revenue & Customs (HMRC) issued guidance explaining that royalties are not to be treated in a manner different from the way royalties were treated under the former Union Customs Code until further guidance is issued. Read more
Proposed legislation	Corporate income tax	12 May 2016	A second consultation document on the UK's implementation of the OECD's recommendations relating to corporate interest expense deductibility under BEPS Action 4 was published. Read more
		May 2016	Budget 2016 announced changes to the way loss relief rules apply for corporation tax purposes, and proposals are now open for consultation. Read more
			As promised at Budget 2016 the Government has published a consultation on possible reform of the substantial shareholdings exemption. Read more

	Various tax areas	May 2016	The Queen opened Parliament by setting out the Government's legislative priorities for the year. Read more
Administrative and case law	VAT	26 May 2016	The Court of Justice of the European Union (CJEU) rendered its judgment in two cases on referral from the United Kingdom, concerning the VAT treatment of card handling services. The CJEU found that the processing of debit and credit card payments, as in these cases, did not qualify for the VAT exemption for payment transactions. Read more
Other	Various tax areas	May 2016	The IfG, IFS and CIOT are launching a project to look at how the UK can improve the process around budgets and tax policy-making. Read more

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