

INSIDE THIS ISSUE

Austria	Japan	Singapore
Estonia	Macedonia	Spain
Germany	Malta	United Arab Emirates
Greece	Norway	United Kingdom
Hong Kong	Poland	Comtax Correspondents
Ireland	Romania	
	Saudi Arabia	



Austria

TAX LAW AMENDMENT ACT 2011

The Tax Law Amendment Act 2011 was published for evaluation on 14 March 2011. Among others, the Act proposes amendments to the participation exemption.

Currently, the participation exemption is applicable on dividends received from EU Member States without any holding requirements. Dividends derived from subsidiaries resident in the European Economic Area (EEA) are exempt under the same conditions. However, in relation to EEA companies an agreement on mutual assistance on the collection of taxes is required for the exemption.

Further, the participation exemption is applicable to subsidiaries outside the EEA provided that the parent has owned at least 10% of the equity of the subsidiary for at least one year.

The Act stipulates that the existing tax exemption for portfolio participations held in EEA companies is extended to apply as well to third country participations.

Estonia

TREATY NEWS

The first income tax treaty with the United Arab Emirates was signed on 21 April 2011. We will report details of the treaty as soon as they are available.

Germany

TREATY NEWS

A new income tax treaty was signed with Ireland on 30 March 2011. Once effective, the new treaty replaces the current treaty of 1962. The maximum rate of withholding tax is 15% on dividends. However, the tax rate is reduced to 5% if the beneficial owner is a company directly holding at least 10% of the dividend paying company. No withholding tax is levied on interest and royalty payments.

A new income tax treaty was signed with Spain on 3 February 2011. Once effective, the new treaty replaces the current treaty of 1966. The maximum rate of withholding tax is 15% on dividends. However, the tax rate is reduced to 5% if the beneficial owner is a company directly holding at least 10% of the capital in the dividend paying company. No withholding tax is levied on interest and royalty payments.

Greece

NEW TAX LAWS

Law 3943/2011 "Combating tax evasion and organization of the tax audit authorities" was enacted on 29 March 2011 and published in the Government Gazette on 31 March 2011.

According to the Law, the distinction between distributed profits and retained earnings is abolished. With effect from 31 March 2011, the corporate income tax is levied at the rate of 24%. The tax will be reduced to 20% with effect for accounting periods ending on or after 1 August 2011.

The Law also introduces a 21% withholding tax levied on dividend payments unless otherwise provided by a tax treaty or the EU Parent-Subsidiary Directive. Further, the withholding tax levied on dividend payments will be increased to 25% from the current rate with effect from 1 January 2012.

Hong Kong

TREATY NEWS

The first income tax treaty with Spain was signed on 1 April 2011. The maximum rates of withholding tax are

- 10% on dividends. However, no withholding tax is levied if the beneficial owner is a company directly holding at least 25% of the dividend paying company.
- 5% on interest. However, interest paid to financial institutions is exempt from withholding tax.
- 5% on royalty payments.

Both the contracting states apply the credit method to avoid double taxation.

Ireland

TREATY NEWS

A new income tax treaty was signed with Germany on 30 March 2011. Once effective, the new treaty replaces the current income tax treaty of 1962. The maximum rate of withholding tax is 15% on dividends. However, the tax rate is reduced to 5% if the beneficial owner is a company directly holding at least 10% of the dividend paying company. No withholding tax is levied on interest and royalty payments.

Japan

STOPGAP BILL

The Tax reform proposals presented in the Tax Reform Bill was not passed by the Diet.

However, the Stopgap Bill was passed on 31 March 2011. In Japan, corporate tax is 30% with paid-in capital exceeding JPY 100 million. If paid-in capital is less, corporate tax is 18% for the first JPY 8 million. The 18% tax rate is applicable between 1 April 2009 and 31 March 2011. After that period, the tax will be levied at the rate of 22%.

According to the bill, the 18% corporate tax rate is extended for fiscal years ending prior to 1 July 2011.

Macedonia

TREATY NEWS

The first income tax treaty with Norway was signed on 19 April 2011. We will report details of the treaty as soon as they are available.

Malta

TREATY NEWS

A protocol was signed with Poland on 6 April 2011 amending the income tax treaty of 1994. According to the protocol, the maximum rate of withholding tax on dividend payments is reduced from the current rate of 15% to 10%. Further, the maximum rate of withholding tax on interest and royalty payments is reduced from the current rate of 10% to 5%. In addition, the protocol provides for the exchange of information according to the new OECD standard.

Norway

TREATY NEWS

The first income tax treaty with Macedonia was signed on 19 April 2011. We will report details of the treaty as soon as they are available.

Poland

TREATY NEWS

A protocol was signed with Malta on 6 April 2011 amending the income tax treaty of 1994. According to the protocol, the maximum rate of withholding tax on dividend payments is reduced from the current rate of 15% to 10%. Further, the maximum rate of withholding tax on interest and royalty payments is reduced from the current rate of 10% to 5%. In addition, the protocol provides for the exchange of information according to the new OECD standard.

Romania

TREATY NEWS

The first income tax treaty with Saudi Arabia was signed on 26 April 2011. We will report details of the treaty as soon as they are available.

Saudi Arabia

TREATY NEWS

The first income tax treaty with Romania was signed on 26 April 2011. We will report details of the treaty as soon as they are available.

Singapore

TREATY NEWS

The first income tax treaty with Spain was signed on 13 April 2011. We will report details of the treaty as soon as they are available.

Spain

TREATY NEWS

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- 10% on dividends. However, no withholding tax is levied if the beneficial owner is a company directly holding at least 25% of the dividend paying company.
- 5% on interest. However, interest paid to financial institutions is exempt from withholding tax.
- 5% on royalty payments.

Both the contracting states apply the credit method to avoid double taxation.

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United Arab Emirates

TREATY NEWS

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United Kingdom

CORPORATE INCOME TAX RATE REDUCTION

As reported in the latest newsletter, the Budget for 2011-12 was delivered by the Chancellor of the Exchequer on 23 March 2011. Among others, during his Statement to the Parliament, the Chancellor announced a reduction in corporation tax from 28% to 26% from April 2011.

This will result in a two percentage points reduction instead of the planned one percentage point. Further, the tax will be reduced to 23% by April 2014.

The reduction in the tax rate is expected to be included in the Finance Bill 2011 likely to be approved in July 2011. However, the 26% tax rate is effective from 1 April 2011 according to the Provisional Collection of Taxes Act 1968.

Further, there is a small profits rate, applicable to profits up to GBP 300,000. For the financial year 2011, the Finance Bill 2011 provides that the rate will be reduced to 20% from the current rate of 21%.



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