Spain cuts corporate tax rate

Spain decided to stimulate its economy by gradually reducing the corporate tax rate from currently 30% to 25% in 2016. Peru and Portugal share this approach and are decreasing their corporate tax rates to 26% (Peru, in 2019) and 21% (Portugal). Other governments, as in Italy, France, Slovakia and the UK, are promoting growth by further stimuli for research and development activities. China has implemented accelerated depreciation methods to support economic development. In Japan, the consumption tax rate does not decrease, but its increase has been postponed by two years from October 2015 to April 2017.

With the announcement of a new tax on diverted profits, the UK leads a second strand of activities that focuses on countermeasures against base erosion and profit shifting (BEPS). Ireland follows closely with the phase out of so-called “Double Irish” structures. In the same context, Poland and Russia have implemented controlled foreign company (CFC) rules, while, among others, Australia and Chile are strengthening their thin-capitalization rules.

Read more about these topics, further interesting tax developments in selected countries around the world and current OECD and EU related issues.
### OECD

#### BEPS
- OECD releases discussion draft under BEPS Actions 8-10 on risk, recharacterization, and special measures
  - [read more](#)
- OECD releases discussion draft on interest deductions under BEPS Action 4
  - [read more](#)
- OECD releases discussion draft on cross-border commodity transactions under BEPS Action 10
  - [read more](#)
- OECD releases discussion draft on more effective dispute resolution mechanisms under BEPS Action 14
  - [read more](#)
- OECD releases discussion draft on use of profit split method in global value chains under BEPS Action 10
  - [read more](#)
- OECD releases discussion draft on follow up work on treaty abuse under BEPS Action 6
  - [read more](#)
- OECD releases discussion draft on low value-adding intra-group services
  - [read more](#)
- OECD releases discussion draft on preventing artificial avoidance of PE status under BEPS Action 7
  - [read more](#)
- OECD releases report under BEPS Action 2 on hybrid mismatch arrangements
  - [read more](#)
- OECD releases report under BEPS Action 6 on preventing treaty abuse
  - [read more](#)
- OECD releases report under BEPS Action 13 on transfer pricing documentation and country-by-country reporting
  - [read more](#)
- OECD releases interim report under BEPS Action 5 on countering harmful tax practices
  - [read more](#)
- OECD issues report on the tax challenges of the digital economy under Action 1
  - [read more](#)
- OECD releases highly anticipated 2014 output of BEPS Action Plan
  - [read more](#)

#### Further OECD related issues
- Russia ratifies Convention on Mutual Administrative Assistance in Tax Matters
  - [read more](#)
- Significant developments in the global automatic exchange of information
  - [read more](#)

### EU
- Finance Ministers of France, Germany and Italy ask European Commission to rapidly develop a new directive addressing tax avoidance and tax evasion issues
  - [read more](#)
### Albania

**Value added tax (VAT)**
New VAT law aimed at aligning Albania's domestic law with the European VAT rules contains, e.g.:
- Changes in respect of the place of supply of services
- Change relating to the supply of digital services to non-taxable persons, which becomes taxable in the place where the recipient is established, has its permanent address or usually resides
- Introduction of the concept of the open market value (OMV)

**Value Added Tax Law (Law 92/2014)** published in the Official Gazette on 13 August 2014

**Entry into force on 1 January 2015**

### Australia

**Thin capitalization rules**
Amendments to the thin capitalisation rules:
- Changes to the statutory safe harbor debt ratios; e.g., for general investors, 60% debt-to-assets or 1.5 debt-to-equity (down from 75% or 3:1)
- Application of the thin capitalization rules to taxpayers with debt deductions of more than $2 million a year, increasing the de minimis threshold from $250,000

**Tax and Superannuation Laws Amendment Bill 2014**, enacted as Act No. 110 of 2014

**Effective for years starting on or after 1 July 2014**

### Belgium

**Decrease of Notional Interest Deduction (NID) rate**
The applicable NID rate for tax year 2016 amounts to 1.630% (+0.5% for small companies). The rate for tax year 2015 is 2.630%

**Applicable for tax year 2016**

### Cameroon

**2015 Budget**
Finance bill for fiscal year 2015, including among others:
- Reduction of corporate income tax rate from 35 to 30%
- Termination of reinvestment favorable regime

**Final draft finance bill for 2015**, presented to the Cameroonian Parliament in November 2014 and adopted by the National Assembly on 6 December 2014

**In general, effective as of 1 January 2015**
### Chile

**Tax reform enactment**
Major tax reform with significant structural changes that unfold gradually until 2018, e.g.:
- Increase of the corporate income tax (CIT) rate from 20% (prior to 1 October) to: 21% (2014), 22.5% (2015), 24% (2016), 25%/25.5% (2016, Attributed Regime/Distributed Regime), 27% (2018, only Distributed Regime)
- Introduction of two alternative taxation regimes for taxpayers subject to corporate tax (including partnerships) and shareholders
  - **Attributed Regime:** The company will be subject to CIT at a 25% rate on its annual taxable income. Individual shareholders will be taxed on the income of the companies in which they have an interest in the year such income is recognized, regardless of the effective distributions made. CIT paid by the company can be credited.
  - **Distributed Regime:** Individual shareholders will only pay the relevant tax on effective profit distributions. Corporate tax credit effectively limited to 65% of the tax paid (total taxation of 44.45% on distributed income in 2018).
- No restrictions on taxpayers domiciled in a country that has entered into a Double Tax Treaty with Chile (total taxation 35%)
- Termination of loss carryback as from 1 January 2017
- Inclusion of all loans, whether related or not, in the calculation of the 3:1 debt-to-equity ratio
- Implementation of new CFC rules
- Establishment of concept of preferential tax regime, not applicable to OECD country members
- Capital gains tax: sale of shares by foreign residents in general subject to total tax burden of 35%, unless a special tax regime applies
- Introduction of general anti-avoidance rule (GAAR)
- Doubling of stamp tax

**Application**
- Law No. 20,780, published in the Chilean Official Gazette on 29 September 2014
- Effective as of October 2014

### China

**Accelerated depreciation methods**
Circular to accelerate fixed assets depreciation, containing, e.g.:
- Implementation of accelerated depreciation methods
- Eligibility to either a shorter depreciation life or an accelerated depreciation method of fixed assets acquired on or after 1 January 2014 by entities engaging in certain industries (e.g., biopharmaceutical industry, manufacturing of special machineries, manufacturing of computers, telecommunication or other electronic devices)
  - Shorter depreciation life: not less than 60% of regular depreciation
  - Accelerated depreciation method: double declining balance or sum of the years’ digits method

**Application**
- Circular 75 issued by China’s Ministry of Finance and the State Administration of Taxation on 24 September 2014
- Effective retroactively as of 1 January 2014

### Costa Rica

**Withholding tax**
New withholding tax treatment of interest paid abroad; interest payments abroad shall be subject to the following withholding tax rates:
- If paid to non-domiciled individuals or legal entities: 15%
- If paid to foreign banks that are part of a Costa Rican financial group or conglomerate regulated by the Costa Rican Financial System: 5.5% during the first year of application of this amended statute, 9% during the second year, 13% during the third year and 15% as of the fourth year
- If paid by entities regulated by the Superintendence of Financial Entities to foreign entities that are also regulated and supervised in their jurisdiction: 5.5%

**Revised brackets published in the Official Gazette on 19 November 2014**

**Revision of corporate income tax (CIT) and personal income tax (PIT) brackets**
New CIT and PIT brackets applicable as of 2015

**Applicable for the tax year 2015**
### Ecuador

**Tax reform proposal**
Proposal of amendments to current tax law, e.g.:
- Extraordinary corporate income tax (CIT) rate of 25% if shareholders are domiciled in a tax haven or in a lower tax jurisdiction; application on proportion owned by shareholders unless participation exceeds 50% of the company shares
- CIT exemption removal for income from certain transactions
- Dividend payments abroad would be considered exempt income for CIT purposes
- Tax incentive under which a company will receive CIT tax exemption for 10 years if its main statutory activity is considered “new and productive”

**Status**
Tax Reform Bill, sent by the President to the National Assembly on 28 November 2014

### France

**Implementation of recent EU rule on hybrid mismatches**
Amendment of French participation exemption regime to address hybrid mismatches. Participation exemption on income from shares would be denied if such income was (i) paid out of profits of an activity that is not subject to corporate income tax or an equivalent tax, or (ii) tax deductible for the distributing entity

**Status**

**Horizontal tax consolidation**
Amendment of French tax consolidation regime to allow “horizontal tax consolidation” (in response to a decision rendered by the Court of Justice of the European Union (CJEU) related to the Dutch fiscal unity regime), i.e. a French company/permanent establishment (PE) may form a French tax consolidated group with other French companies/PEs
- when all are owned at 95% or more by a company/PE that is subject to a tax equivalent to French corporate income tax in another EU/EEA country (except Liechtenstein),
- while the 95% ownership test can be met directly, or indirectly, via intermediate companies/PEs that are all subject to tax in an EU/EEA country (except Liechtenstein) or via the French parent company or other French consolidated companies. The horizontal tax consolidation would be optional

**Status**

**Finance Bill 2015**
Proposed tax measures include, e.g.:
- Increase in the rate of tax credit for competitiveness and employment from 6% to 7.5% for expenses incurred in calendar year 2015 and 9% as from 1 January 2016 by businesses located in a French overseas department
- Increase of research and development (R&D) tax credit from 30% to 50% for eligible expenses incurred as from 1 January 2015 by businesses located in a French overseas department (the rate for a taxpayer’s eligible expenses in excess of € 100 million would remain at 5%)

**Status**
Finance Bill for 2015, published in the Official Gazette on 30 December 2014

For companies satisfying the requirements of EU state aid regulations for regional aids, the increased rates would take effect as from 1 January 2015, while for other companies they would only take effect after the measure is approved by the European Commission
### Germany

**Annual Tax Act 2015**
- Official bill name: Law concerning the Adaption of the General Tax Code to the European Customs Codex and Other Tax Law Amendments, containing, e.g.:
  - Adaption of the General Tax Code to the European Customs Codex
  - Implementation of VAT (value added tax) quick reaction mechanism
- In a protocol note, the German Federal Government announced that state proposals will be discussed as part of further draft tax bills that will be published in the first half of 2015.
- Act published in the Official Gazette on 30 December 2014
- Different application dates

**Reform of the voluntary self-disclosure rules**
- Tightening of prerequisites of a valid and thus punishment-exempting self-disclosure:
  - All cases of underreported tax basis within a ten-(calendar-)year period must be disclosed.
  - Decrease of threshold from which an individual case of underreported tax basis triggers an additional surcharge to (per year and tax type) € 25,000.
  - Surcharge on the additional tax levied gradually increases from 10% to 20% depending on the underreported amount.
  - Positive for taxpayers: clarification that with regard to selfdeclared taxes (VAT and wage tax), merely missing legal filing deadlines or making simple corrections will not necessarily trigger further proceedings as a routine.
- Act published in the Official Gazette on 30 December 2014
- Effective as of 1 January 2015

**Economic Investment**
- Background: The Federal State of Hesse plans to introduce a legislative initiative to the upper house of the German parliament (Bundesrat) with the objective of supporting economic investment and curtailing aggressive tax planning.
- The main points of the initiative are:
  - Introduction of a measure against “patent box” regimes: Royalties paid to any group affiliate should only be deductible if payments are subject to tax in the hands of the affiliated recipient with a tax rate of 25% or higher.
  - Temporary introduction of the declining-balance tax depreciation method for investments made during the years 2015 and 2016.
  - Repeal of the “Last-in-first-out” (LIFO) method as an allowed convention for inventory tax accounting purposes.
  - Repeal of the capital gains exemption from corporate income tax (CIT) for stock sales of corporate sellers, if the seller’s interest in the sold company’s shares is below 10%.
- Press release issued by the Ministry of Finance of the Federal State of Hesse on 16 October 2014

### Ireland

**Amendment of corporate residence rules**
- Proposed legislation to phase out “Double Irish”: All Irish incorporated companies shall be regarded as Irish tax resident and thus subject to Irish tax on worldwide income and gains (unless one of Ireland’s tax treaties operates to treat the entity as resident elsewhere).
- Draft legislation, published on 23 October 2014
- Proposed effective dates: Applicable immediately for companies incorporated on or after 1 January 2015; effective 1 January 2021 for companies incorporated before 31 December 2014.
<table>
<thead>
<tr>
<th>Content</th>
<th>Status</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Italy</strong></td>
<td></td>
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<tr>
<td><strong>Budget Law 2015</strong></td>
<td>Budget law for 2015, approved by parliament on 22 December 2014 and published in the Official Gazette on 29 December 2014</td>
<td>Entry into force on 1 January 2015</td>
</tr>
<tr>
<td>Amendment law containing several tax measures, e.g.:</td>
<td></td>
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<tr>
<td>• Introduction of a patent box regime</td>
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<td>• Full deduction for local income tax (IRAP) of labor costs related to employees hired without time limits</td>
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<tr>
<td>• Restoration of the 3.9% IRAP rate</td>
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<tr>
<td>• Extension of the research and development (R&amp;D) tax credit to 2019</td>
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<td>• Potential review of the black list regarding the additional burden of proof regime</td>
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<td>• Voluntary disclosure program</td>
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<td><strong>Japan</strong></td>
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<tr>
<td><strong>Consumption tax rate</strong></td>
<td>Announcement by Japan’s Prime Minister Shinzo Abe on 18 November 2014</td>
<td>Application of increase postponed until 1 April 2017</td>
</tr>
<tr>
<td>Announcement of postponement of consumption tax rate increase to 10% until 1 April 2017 due to application of “economic resiliency” clause. Rate increase was originally scheduled as of 1 October 2015. No subsequent postponement possible</td>
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<tr>
<td><strong>Kenya</strong></td>
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<tr>
<td><strong>Capital gains tax (CGT)</strong></td>
<td>2014 Finance Act, assented to by the President on 14 September 2014</td>
<td>Applicable on gains which accrue to a company or an individual on or after 1 January 2015 on property situated in Kenya, whether or not the property was acquired before 1 January 2015</td>
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<tr>
<td>Reintroduction of the CGT which had been suspended since 1985:</td>
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<td>• General tax rate: 5%</td>
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<tr>
<td>• Applicable to gains realized by companies and individuals on the transfer of property situated in Kenya</td>
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<td><strong>Luxembourg</strong></td>
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<tr>
<td>Proposed tax measures, e.g.:</td>
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<tr>
<td>• Increase of the current value added tax (VAT) rates by two points (except as regards the so-called super-reduced rate of 3%) to 17%, 14%, or 8%, respectively (as from January 2015)</td>
<td></td>
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<tr>
<td>• Withholding tax:</td>
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<tr>
<td>- Modification of the current provisions by introducing the principle that taxes withheld on income from capital cannot be reimbursed (thereby securing the same treatment for resident and nonresident recipients of dividends)</td>
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<tr>
<td>- Exception applicable for taxes withheld upon distributions falling under the provisions of the participation exemption</td>
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<tr>
<td><strong>Mexico</strong></td>
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<tr>
<td><strong>Interest withholding tax</strong></td>
<td>2015 Federal Revenue Act, published in the Official Gazette on 13 November 2014</td>
<td>Effective from 1 January 2015</td>
</tr>
<tr>
<td>Extension of the reduced 4.9% interest withholding tax rate to 31 December 2015, which would continue to be available for interest derived from loans or other “non-publicly traded” debt instruments when paid to foreign banks and foreign financial institutions (if certain requirements are met)</td>
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</tr>
</tbody>
</table>
### Peru

**Tax changes to promote economic growth enacted**

The changes include, e.g.:
- New “Special Regime of depreciation for buildings” (annual depreciation raised from 5% to 20%)
- VAT exemption for certain services related to corporal goods levied with VAT and for specific imported corporal goods
- Temporary exemptions of the Temporary Tax on Net Assets (ITAN) will become permanent exemptions under certain criteria

**Status**:

- Law 30264, published in the Official Gazette on 16 November 2014

**Application**:

- Effective as of 1 January 2015

**Additional tax changes to promote economic growth**

Additional tax law amendments, e.g.:
- Tax rate decreases:
  - Corporate income tax (CIT) decrease from 30% to 28% in fiscal year 2015 and progressively to 26% by fiscal year 2019
  - Reducing the personal income tax (PIT) rate on labor income for resident individuals
- Excise tax for fuels
- Loans between a legal entity and its shareholders or related entities would be deemed a distribution of dividends
- Additional tax changes to promote economic growth

**Status**:

- Tax Bill, approved by Peruvian Congress on 11 December 2014 and published in the Official Gazette on 31 December 2014

**Application**:

- Effective as of 1 January 2015

### Poland

**Corporate tax rules**

Major amendments to, e.g.:
- Introduction of controlled foreign corporation (CFC) rules
- Amendments to the thin capitalization rules:
  - Expansion of the interest expense limitation on a much broader range of loans (generally on all intra-group financing)
  - Introduction of a 1:1 debt-to-equity ratio (currently 3:1)
  - New definition of “equity”
  - Option for taxpayers to use a new alternative thin cap calculation method based on a reference rate of the National Bank of Poland and the value of assets capped at a percentage of EBIT
- No application of the participation regime to taxpayers receiving dividends that gave rise to a deduction from the income (or other decrease in the taxable base or tax) of the distributing company
- Application of the transfer pricing documentation requirements to joint ventures and partnerships

**Status**:

- Tax Bill, approved by the Parliament on 29 August 2014 and signed by the Polish President on 16 September 2014

**Application**:

- Entry into force on 1 January 2015

### Portugal

**2015 Budget Law**

Tax measures, e.g.:
- Reduction of the corporate income tax (CIT) rate from 23% to 21%
- Amendment to the tax grouping legislation to allow for tax grouping between Portuguese resident companies that are commonly held by the same EU or EEA (European Economic Area) eligible company as well as whenever the Portuguese resident companies are held through a Portuguese permanent establishment of an EU or EEA eligible company
- Amendment to the participation exemption regime for dividends, which should not be available whenever
  - the distribution allows for a tax deduction in the subsidiary; or
  - the distribution is made by an entity not subject to or exempt from tax and the dividends do not derive from profits subject to and not exempt from tax at the level of sub affiliates, if applicable; this condition should not apply to EU and EEA eligible distributing entities
- Increase of indirect taxes on tobacco, alcoholic beverages and vehicles

**Status**:

- 2015 Budget Law, published in the Official Gazette on 31 December 2014
### Russia

**Introduction of controlled foreign company rules (CFC)**

De-offshorization Law passed to implement CFC rules in Russian tax code, including:

- Russian resident to be recognized as a controlling person of a CFC if his participation interest is at least: 50% during 2015; 10% from 2016 (if his participation interest together with those of other Russian residents constitutes a 50% interest in the CFC) and 25% if it does not
- Exemption of certain types of controlled companies, e.g.:
  - Active companies (i.e., companies that have more than 80% active income)
  - Companies registered in a country where the effective tax rate applicable to the CFC is at least 75% of the blended tax rate of Russian profits tax
  - Banks and insurance companies if they operate in a territory that exchanges information with the Russian Federation
- Criteria for determining when a company’s place of effective management will be considered to be in Russia
- Definition of an “actual recipient (beneficial owner) of income”

Federal Law No. 376-FZ, passed by the Russian Parliament on 18 November 2014 and signed by the Russian President on 25 November 2014

Entry into force on 1 January 2015

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### Slovakia

**2015 tax amendments to the Slovak Income Tax Act**

Amendments include:

- Introduction of a limitation of tax deductible interest from loans provided by local and foreign related parties to 25% of EBITDA (thin capitalization rules); rules shall not apply to financial institutions, leasing companies and entities administering collective investment schemes
- Application of the transfer pricing rules to domestic related party transactions
- Implementation of new allowances of research and development (R&D) costs in the amount of:
  - 25% of real costs incurred for R&D
  - 25% of wage costs of newly-hired graduates, deductible in the year when the graduates are hired
  - 25% of the year-on-year increase of costs incurred for R&D
- Additional changes in tax loss carry-forward rules: tax losses generated during periods after 1 January 2014 could be included in the tax base pro-rata tally over four years

Amendments to the Slovak Income Tax Act, approved by the Slovak Parliament on 30 October 2014

Effective as of 1 January 2015

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**Transfer pricing**

New guidance on transfer pricing (TP) documentation, which brings clarity to the minimum documentation requirements for all taxpayers, containing, e.g.:

- Definitions of three categories of documentation
- Grouping (aggregation) of several controlled transactions for the purposes of the TP documentation
- Introduction of an obligation to update the TP documentation on an annual basis
- Definition of documentation requirements for tax periods prior to 1 January 2014

New guidance on TP documentation, released by the Slovak Ministry of Finance on 20 August 2014

Effective immediately for tax periods beginning on 1 January 2014 and later

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### South Africa

**2014 Taxation Laws Amendment Bill**

Amendments applicable to cross-border transactions, e.g.:

- Transfer pricing: Changes relating to the reclassification of the non-arm’s length portion (effective 1 January 2015)
- Deferral of the withholding tax on interest until 1 March 2015
- Amendments to the interest deduction limitation rules (expected to become effective from 1 January 2015)
- Amendments to exemption from controlled foreign company (CFC) rules (if promulgated, to come into effect on 31 December 2014 and apply to years of assessment ending on or after that date)

2014 Taxation Law Amendment Bill, introduced by South Africa’s Minister of Finance on 22 October 2014

read more
### Spain

<table>
<thead>
<tr>
<th>Tax reform enacted</th>
<th>Status</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gradual reduction of corporate income tax (CIT) rate and elimination of tax deductions and other benefits, containing, e.g.:</td>
<td>Laws 26/2014 and 27/2014, published in the Spanish Official Gazette on 28 November 2014</td>
<td>In general, entry into force on 1 January 2015</td>
</tr>
<tr>
<td>• CIT rate reduction from 30% to 25% in 2016 (with an interim 28% rate applicable in 2015)</td>
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<tr>
<td>• Maintenance of general limitation to the tax deductibility of net financial expenses (30% operating profit), minimum deductibility threshold of € 1 million</td>
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<tr>
<td>• Additional rule for leveraged acquisitions: limiting deductibility of interest on loans to purchase shares (acquisition debt) to 30% of operating profit of the acquiring entity if acquired and acquiring entities are merged within a four-year period or when new entities join the tax group in which acquiring and acquired entity are included</td>
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<tr>
<td>• Intra-group profit sharing loans characterized as equity instruments for Spanish tax purposes</td>
<td></td>
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<tr>
<td>• Introduction of participation exemption regime for dividends and capital gains derived from both Spanish resident and non-Spanish resident subsidiaries</td>
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<tr>
<td>• Changes in transfer pricing rules</td>
<td></td>
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<tr>
<td>• Amendment of rules applicable to utilization of net operating losses (NOLs): elimination of current 18-year limitation, establishment of annual quantitative limit of 70% of positive taxable base</td>
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<tr>
<td>• Restriction of use of tax losses when an entity engages in a different or additional activity within the two years after change of ownership</td>
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<tr>
<td>• Elimination of the so-called “business activity test” (commonly referred to as the “85/15 rule”)</td>
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<td><a href="#">read more</a></td>
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</table>

### New controlled foreign companies (CFC) rules

<table>
<thead>
<tr>
<th>Amendments to the CFC rules, e.g.:</th>
<th>Status</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Changes relating to the “substance requirements”</td>
<td>Laws 26/2014 and 27/2014, published in the Spanish Official Gazette on 28 November 2014</td>
<td>In general, entry into force on 1 January 2015</td>
</tr>
<tr>
<td>• No application of the Spanish participation exemption regime to capital gains derived from the direct or indirect transfer of non-Spanish resident subsidiaries, where at least 15% of the income of such subsidiaries is subject to the above CFC legislation</td>
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<td><a href="#">read more</a></td>
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</tbody>
</table>

### Personal income tax (PIT) reform/special tax regime for inbound assignees

<table>
<thead>
<tr>
<th>Reduction of general personal income tax rates in conjunction with base broadening. Changes in tax regime for inbound assignees:</th>
<th>Status</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Requirements to qualify for the special tax regime</td>
<td>Laws 26/2014 and 27/2014, published in the Spanish Official Gazette on 28 November 2014</td>
<td>In general, entry into force on 1 January 2015</td>
</tr>
<tr>
<td>• Reduction of general flat tax rate</td>
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<td><a href="#">read more</a></td>
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### Ukraine

<table>
<thead>
<tr>
<th>Ultimate beneficiaries of legal entities</th>
<th>Status</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Information to be disclosed to state registrar</td>
<td></td>
<td></td>
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<tr>
<td>• Six-month transitional period</td>
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</tbody>
</table>
### United Kingdom

**Autumn Statement and draft Finance Bill Clauses**

Announced tax law changes, e.g.:

- Introduction of diverted profits tax to address certain base erosion and profit shifting; penalty rate of 25% on profits diverted [read more](#)
- Draft clauses on country-by-country-Reporting (CBCR) giving HM Treasury the power to make regulations to implement the OECD’s recommendations, no implementation date given (expected 2016) [read more](#)
- Consultation document on implementation of OECD recommendations regarding hybrid mismatch arrangements: document largely follows the OECD recommendations, application to payments made from 1 January 2017, no grandfathering provisions [read more](#)
- Devolution: corporation tax rate-setting powers will be devolved to Northern Ireland, provided the Northern Ireland Executive is able to manage the financial implications [read more](#)
- Substantial changes to the loan relationships and derivative contract rules: aligning the tax treatment with profit and loss accounts, principles-based anti-avoidance rules [read more](#)
- Increase to the rate of the “above the line” R&D credit from 10% to 11%, increase in the rate of the SME (small and medium enterprise) scheme from 225% to 230%, restriction on qualifying expenditure for R&D tax credits to exclude the costs of materials incorporated which carry on in products that are sold
- Oil and Gas: Reduction of rate of supplementary charge from 32% to 30% as well as additional measures
- Amendments to the Companies Act 2006 to prevent stamp duty being avoided in a takeover situation
- Requirement for businesses to account for VAT on the full consideration actually received when prompt payment discounts are offered [read more](#) and [here](#)

**Patent box system proposal**

UK/German joint proposal on IP boxes to advance BEPS negotiations on preferential IP regimes; main aspects of the proposal:

- Modified nexus approach based on nexus approach proposed by the OECD
- Transitional arrangement so that existing regimes would be open until June 2016 and remain in place until June 2021
- No imminent proposal to establish a German patent box system [read more](#) and [here](#)

**United States**

**Tax extenders legislation**

Extension of most of the provisions that expired in 2013 retroactively for one year, through 2014, without revenue offsets. The Act includes the Subpart F active financing exception and CFC-to-CFC (controlled foreign companies to controlled foreign companies) look through provision [read more](#), [here](#) and [here](#)

**IRS Announcement regarding jurisdiction treated as having FATCA IGAs in effect**

A jurisdiction that is treated as if it had a Foreign Account Tax Compliance Act (FATCA) intergovernmental agreement (IGA) in effect, but that has not yet signed an IGA, will retain such status beyond 31 December 2014, if the jurisdiction demonstrates firm resolve to sign the IGA as soon as possible [read more](#)

**Uruguay**

**Investment tax exemption**

Restriction of the general investment tax exemption granted to corporate income taxpayers whose income does not exceed 10 million indexed units (approx. US$ 1.2 million) within the previous fiscal year [read more](#)
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SRE 1501-363
ED None

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