

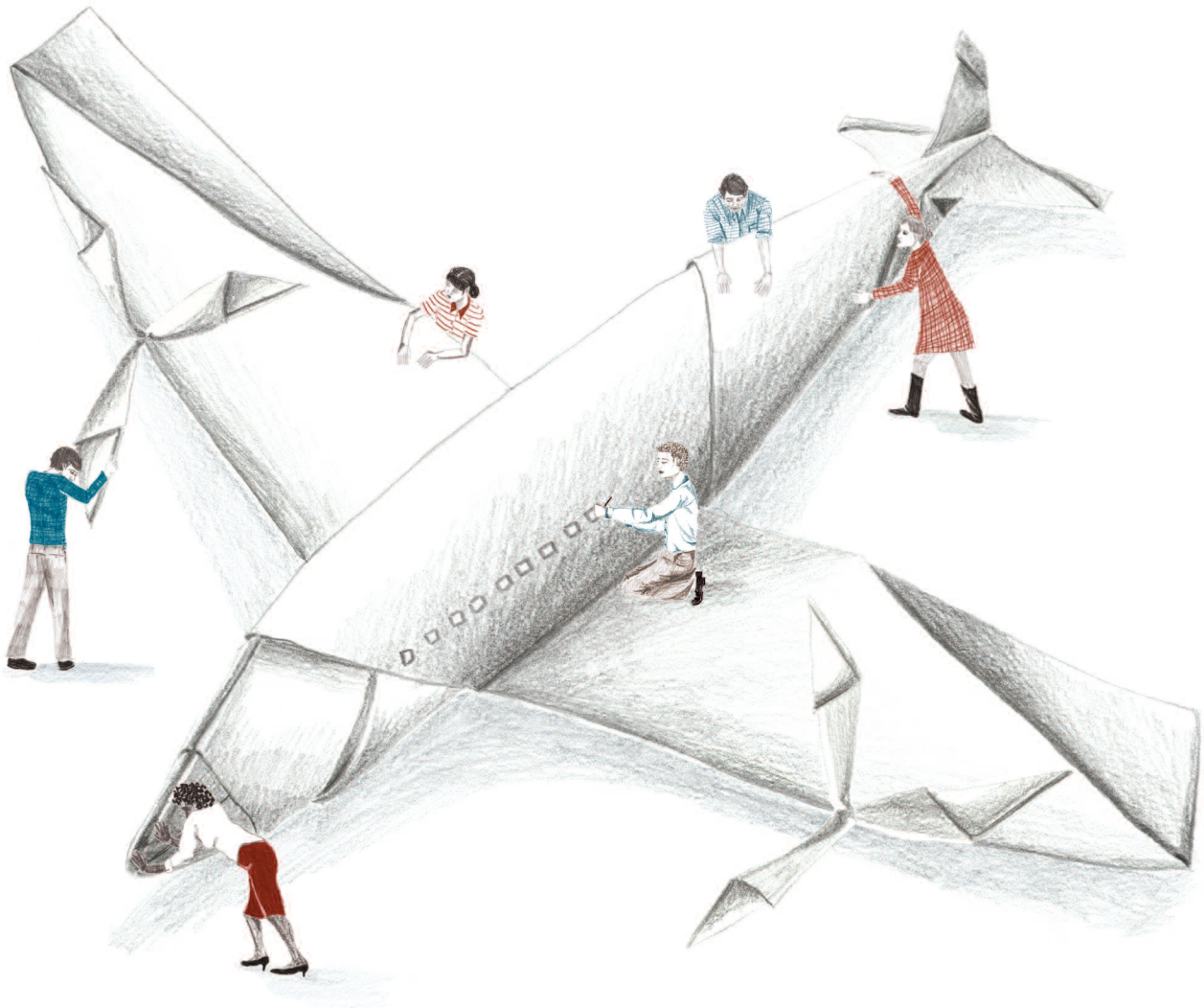


Grant Thornton

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Global expatriate tax guide



Organisations that send their greatest assets – their people – overseas to work can face certain tax burdens. Working overseas offers an opportunity for business and personal growth. However, employers have to make sure that remuneration is competitive and that tax, social security and pension issues associated with relocation are addressed.

Working with both companies and individuals and using our global network of specialists, we can advise on the pitfalls associated with working abroad and make sure that appropriate pre-assignment planning opportunities are implemented effectively to minimise the tax burden for both parties. Our tax specialists across the network work together on complex multi-jurisdictional issues to help employers to adopt a consistent and transparent approach to their expatriate assignments. This ensures that their employees are treated fairly and are clear about the terms of their relocation package.

Expatriate tax guide

This expatriate tax guide has been designed to provide an overview of the different tax systems around the globe and gives further information about tax systems and regulations in specific countries.

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Albania

Expatriates taking up employment in Albania will be subject to comprehensive rules and in most cases employment visa requirements. The tax, legal and outsourcing team can help expatriates and their employers in dealing with the Albanian tax and employment visa requirements, as well as with the Albanian labour and social security issues. In particular Grant Thornton Albania can assist expatriates and their employers in providing working and residence permits, reviewing tax equalisation policies, tax calculation and providing compliance services regarding the Albanian tax filing requirements.

Albanian resident taxpayers must prepare and file an annual personal income return to the tax authorities no later than 30 April following the subsequent period. Non-residents only pay tax on income generated within the territory of Albanian and can prepare and file (although not obliged to by law) an annual personal income return for their income derived from Albania sources only.

Facts and figures

Pre arrival procedures

Foreign citizens may enter the territory of Albania with or without visa (depending on nationality). As a general rule foreign citizens working in Albania for a period greater than one month are required to obtain a work permit, unless exempt by law or an international agreement. There is an exception to the general rule for EU countries and the Schengen area, they enjoy equal rights with Albanian citizens in the areas of employment and self employment. Application forms are obtained from the migrations department in the ministry of labour and social affairs in Albania embassies, consulates abroad and in regional labour office of the respective districts.

Employment visas

The Albanian legislation sets the annual quota for the employment of foreigners in the Republic of Albania, taking into consideration the needs of the employment market and migration policy. Additionally local employers must justify hiring foreign individuals and the number of foreigners working for an employer should not exceed 10% of the total number of staff in the previous 12 months. There are limitations for EU expatriates based on reciprocity Bilateral or Multilateral Agreements, for expatriates that do not require a work permit (WP) in accordance with law. Different types of WP are issued by the activity that the expatriate will perform as employer/employee, transferred within the company, investors, seasonal work, student and professional development etc. WPs are also issued for family members of foreigners residing lawfully in Albania and these have a priority in their issuance. Generally a WP is up to one year, with the option of being renewed. However there are cases where the WP is issued with validity of the required period for performing the work. After two renewals of a WP the foreign worker has the right to have a permanent work permit provided that certain condition is met.



Tax returns and compliance

Albanian residents and those expatriates that have become Albanian tax residents by residing in the Republic of Albania for 183 days or more, must file their annual tax return before 30 April of the year following the calendar year.

Payment of Albanian tax – the employer (the payer of the income) is obliged to withhold and pay in the name and behalf of the employee, the amount of personal income tax, during each separate payment.

Tax year

The Albanian tax year is from 1 January to 31 December.

Income tax rates

The personal income tax rate in Albania is a flat rate of 10%.

Sample income tax calculation

| | € |
|------------------------------|------|
| Employment income per month: | 1000 |
| Tax at 10%: | 100 |

Basis of taxation

Charge to tax

A charge to Albanian tax is dependent on whether the income arises in Albania, and the extent of the charge will be determined by an individual's tax residency status.

Residence

Taxation of individuals in the Republic of Albania is determined by their residency or the source of their earnings. Persons are a resident in Albanian for tax purposes if:

- they have permanent residence, family or vital interests in Albania
- they are Albanian citizen, serving at the capacity of consular, diplomat or at another similar function, outside the territory of Albania
- they reside in Albania for at least 183 days during a tax period, regardless of his/her nationality or the country of his/her vital interests. The calculation of the residence period in Albania includes all the days of physical presence, not only work days, but also holidays.

Individuals that are an Albanian resident, are taxed on their worldwide income and gains. Expatriates are only taxed on their income and gains realised on the territory of Albania.

Income from employment

An Albanian tax charge on employment income is derived from duties performed in the Republic of Albania. Assessable employment income includes all wages, salaries and other compensation derived from employment relations that are basic pay, overtime pay, bonuses, director's fees allowances and any other remuneration and benefits granted for the performance of employment.

Source of employment

As mentioned above, where duties are performed on the territory of the Republic of Albania, any remuneration received in respect of these duties is treated as Albanian sourced income and therefore subject to Albanian income tax regardless of the expatriate's tax residence status.

Benefits (in kind)

In general where the benefit is enjoyed in the Republic of Albania, an Albanian income tax charge will arise. Therefore, housing, meal allowances, provision of a car and relocation allowances will come within the charge to Albanian income tax in addition to the individual's salary. However if these benefits will be as the compensation in kind, paid not in cash by the employer, of such type as: food compensation, donation of vehicles, house appliances, etc., then the value of services in kind (goods or services) will be classified as an un-deductible expense of the employer for corporate income tax purposes and shall not be taxed as a personal income.

Expatriate concessions

The tax reliefs to expatriates seconded to the Republic of Albania are implemented under specific conditions.

Relief for foreign taxes

Where income has been subject to tax twice (in Republic of Albania and a foreign jurisdiction) relief can be granted by the Albanian general tax directory in accordance with signed double taxation treaties.

Deductions against income

The Republic of Albania grants a large field of tax deductions. Income tax shall not be payable on income generated on grounds of:

- income received from obligatory and voluntary schemes for life, social and health insurance and allowances for families or individuals with no or low income
- awards, scholarships up to limit specified in the law, regardless of the source of payment

- allowances received for diseases or disasters, up to 20% of the annual employment income earned by the recipient of the allowances
- compensation received with regard to expropriation as compensation of dispossession required by government for public interest
- income of individuals who enjoy diplomatic status
- compensation for damages received from insurance companies
- income in kind, such as food received for business
- benefits received in the cases of diseases, hardships in agreement with the relevant legal provisions in force
- income excluded by international agreements approved by the Albanian parliament
- donations received from non-profit organisation
- income received from public institutions for achievements in science, sports or culture
- compensation benefits received by the final decision of courts and certain compensation for court costs.
- capital participation quotas: income realised from shares sales and nominal value or the purchase value
- liquidation: difference between the sales value or liquidation value of a business and book value.

Expatriate's capital gains are taxable if realised on the territory of the Republic of Albania unless the provisions of double tax treaty apply.

Inheritance, estate and gift taxes

Gift/estate taxes are levied on immovable property located in the Republic of Albania. An individual who transfers/donates the ownership of immovable property should pay taxes before the registration of such property in accordance with relevant laws. Gift/estate taxes are taxed as income at a flat rate 10%.

Investment income

Investment income taxes are levied on all investment income generated in the Republic of Albania. The following are taxable at 10%:

- dividends received by individuals' shareholders or partners in commercial companies
- income in the form of interest is considered income from loans
- interest on bonds or other securities
- interest from bank deposits and securities.

Local taxes

The local tax offices are responsible for the collection of all local tax. Local taxes are applied either as a percentage or as specific amounts and varies depending on location and/or others factors. There are different types of local taxes.

Real estate tax

All physical persons and legal entities whether local or foreign, who own real estate property in the Republic of Albania are subject to real estate tax. The real estate tax rate is 10% and is based on the relevant contract.

Income from leasing contracts – under Article 784 and onwards of the Civil Code, (income from leasing contracts) income from a contract through which a person is entitled to use and improve an immovable property. Income from leasing contracts is periodic compensation in cash or in kind that an individual generates from leasing real estate. If the tenant, according to the contract agreed among the parties, improves and adapts that property for the tenant's needs, the expenses incurred by the tenant are considered to be the income generated from leasing contracts for the owner of the property.

What taxes?

Capital gains tax

According to the Albanian income tax code, capital gains are normally considered to be ordinary income and are taxed at the rate of 10%.

Transfer of ownership rights over immovable property

Capital gains derived from the disposals of real estate are subject to tax. The tax base equals the amount by which the sale price exceeds the acquisition cost. For real estate transfers, the sale price taken into account may be not less than the 'reference price' for such a property. For this purpose the 'reference price' is the objective value meter in the relevant area, as indicated in the reference table published by the Albanian institute of statistics for the main Albanian cities.

Transfer of quotas or shares

Realised income from the difference between sales price and purchase price of participation quotas, or capital shares are taxable. This category of income includes income generated from quota sales that a partner owns in a business or partnership, income generated from sale of shares, income from sales or liquidation of a business of any form. The tax base, in such cases, is equal to the following:

- shares realised: income from shares sales and nominal value or the purchase value

The register of real estate, reports the real estate owners identity, limits of property, date of registration and the relative deed of ownership acquisition and plans that show the location of property. In addition, any mortgage, assignment of easement, right to use and any other right connected to or deriving from the real estate that is transferred to any third party, should be recorded in the register.

Social security taxes

Employees are obliged to pay obligatory social security contributions on gross salary as follows:

| | % |
|---|------|
| Pension and disability social contribution | 21.6 |
| Contribution for health insurance | 3.4 |
| Contribution for employment | 0.9 |
| Maternity | 1.4 |
| Diseases | 0.3 |
| Accidents and insurance occupational diseases | 0.3 |

The expatriates are also obliged to pay the obligatory contributions as the residents of the Republic of Albania, unless the law or bilateral agreement foresees otherwise.

Employers and employees contribute a percentage of the calculated monthly salary to a social security fund. The total contribution is 27.9%, of which 16.7% is paid by the employer, and 11.2% is paid by the employee. The 27.9% contribution consists of a social security contribution of 24.5% and a health security contribution of 3.4%. The total contribution is capped at ALL 95,130. The contribution must be paid to the tax authorities by the 20th day of the following month. Self-employed persons must pay a contributions of 30% calculated on the amount exceeding the minimum amount of salary.

Stock options

No specific rules in the Republic of Albania govern the tax treatment of employer-provided stock options. Stock options are subject to personal income tax at the moment of exercise.

Tax planning opportunities

The tax planning mainly involves the structuring of employment arrangements to take advantage of the relatively low flat personal tax rates (as compared to EU member states).

For further information on expatriate tax services in Albania please contact:

Maja Filipceva

E maja.f@grant-thornton.com.mk

Armenia

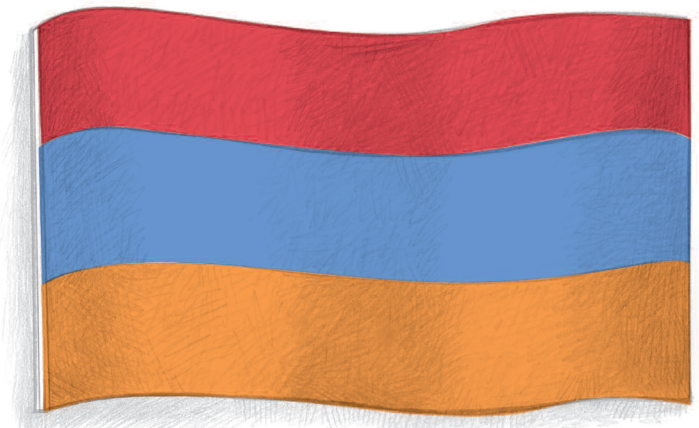
The experts of Grant Thornton provide legal and tax advisory services to the clients on all aspects of taxation of foreign persons in Armenia, including:

- clarifications on the Armenian tax legislation
- calculation of taxes payable by foreign persons in accordance with the Armenian legislation
- ad-hoc legal and tax advisory services
- filling in and submission of individuals' tax returns to the Armenian Tax Authorities
- elucidation on the Armenian legislation in connection with obtaining visa and work permit.

Facts and figures

Pre arrival procedures

As a general rule, the expatriates, wishing to work in Armenia, are required to obtain a visa and work permit. Nationals of certain countries, eg Belarus, Russian Federation, Ukraine, other CIS (the Commonwealth of Independent States) countries, Georgia, Argentina, etc., can visit Armenia for up to 180 days without a visa within a one year period, but will need to be granted a work permit to take up employment. Holders of all other passports and travel documents are required to obtain an entry visa or must present document confirming their residence status. Work permits are not required: for people having permanent or special status of residence, for the spouses and relatives of Armenian nationals or of legally staying expatriates having temporary, permanent or special status of residence (during the term of the given status), for refugees, etc. Entry visa, residency status or working permit seekers must pay an appropriate state duty. Some exemptions are envisaged by the Armenian legislation, eg relatives of refugees, Armenian nationals and minors are exempted from paying the duty foreseen for visas and residency status.



Employment visas

All expatriates seeking employment in Armenia must first obtain a visitor visa and then apply for work permit.

A visitor visa entitles a foreigner to enter Armenia and stay in the country for up to 120 days. Prolongation is possible up to 60 days. A visitor visa may be issued for single or multiple entries (within up to a year period). No sponsor is required for obtaining visas. Normally entry visas are granted to individuals and if so required may be also provided to groups (for implementation of joint activity).

The work permit obtaining procedure is as follows.

Any expatriate, having the same labour legal capacity as citizens of Armenia, which is guaranteed by the Armenian legislation, may conclude an employment (labour) contract with an Armenian employer based on the work permit granted by appropriate authorised authorities. Work permits apply to all non-Armenian guest workers, regardless of rank or seniority or professional or other qualification, when approved after due consideration by the Armenian employment authorities and their respective employers. While granting a work permit to expatriates, the Armenian employment authorities thoroughly consider and assess the needs and development of the labour market of Armenia. Armenian employers are required to file an application for filling a vacancy from within the resident labour force during the timeframe which still needs to be specified under the Armenian government resolution, which is aimed at assessing the needs of the local labour market. Should the employer and the Armenian employment authorities fail during the established time frame to fill a gap from within the resident labour force meeting the employer's requirements, the given employer may find an expatriate who meets the set forth requirements and file an application to the Armenian employment authorities to provide the relevant expatriate with a work permit by submitting the required documents (the list of which still needs to be specified under the government resolution).

A work permit is issued for a certain period of time based on the terms of the employment contract to be concluded and against a state duty levied from the employer in accordance with the law 'On State Duty'.

A work permit can be denied if: (i) the condition of the local labour market based on the results of the assessment thereof is unfavourable for such work; (ii) the work should be performed by an Armenian national as required by the legislation; (iii) the required documents or information are falsified; (iv) the employer employing the expatriate has previously violated the requirements for the expatriate employment; (v) there are certain threats to national security; and (vi) the employer lacks a license to perform the activity which is subject to licensing.

Tax returns and compliance

When paying income to foreign citizens and stateless persons, tax shall be withheld (imposed) by a tax agent (employer) at the source of payment of the income. When tax is withheld by a tax agent at the source of payment of the income, the expatriate has no filing obligations and the amount of tax withheld at the below rates shall be considered as the final amount of the income tax, with the following exception. When the non-citizen is a resident or conducts entrepreneurial activity in the territory of Armenia or has an income that is not taxed by the tax agent in this case the expatriate must submit annual electronic tax returns on his/her annual income within the tax year, but no later than the 15th of April of the following year. Late filing of the tax returns entails respective penalties. The respective tax should be transferred to the state budget no later than 1 May of the following year.

Tax year

The tax year in Armenia is a calendar year.

Income tax rates

When paying income to expatriates and there is a tax agent, tax shall be withheld (imposed) by a tax agent at the source of payment of the income at the following rates:

- salaries, wages and other payments deemed equal thereto:

| Amount of monthly taxable income | Tax amount |
|----------------------------------|--|
| Up to AMD 120,000 | 24.4% of taxable income |
| AMD 120,000 – 2,000,000 | AMD 29,280 plus 26% of the amount exceeding AMD 120,000 |
| Over AMD 2,000,000 | AMD 518,080 plus 36% of the amount exceeding AMD 2,000,000 |

in case there is not tax agent the tax should be calculated and paid by the expatriate on annual basis with the following tax rates:

| Amount of monthly taxable income | Tax amount |
|----------------------------------|--|
| Up to AMD 1,440,000 | 24.4% of taxable income |
| Over AMD 1,440,000 | AMD 351,360 plus 26% of the amount exceeding AMD 1,440,000 |

- When paying income to expatriates and there is a tax agent, tax shall be withheld (imposed) by a tax agent at the source of payment of the income at the following rates:
 - insurance benefits received from insurance and income received from freight: 5%
 - royalties, interests, lease payments, increase in the value of property and other passive income (with the exception of income received from freight) as well as other passive income received from other sources in Armenia: 10%.

Sample income tax calculation

Example of the calculation of income tax on salary in table format

| | AMD |
|------------------|--|
| Salary | 150,000 |
| Tax amount | 29,280 + 30,000 (the amount exceeding 120,000) x 26% |
| Total tax amount | 37,080 |

Basis of taxation

Charge to tax

For a resident the taxable income received within or outside Armenia is considered the object of taxation.

For a non-resident the taxable income received from Armenian sources is considered the object of taxation.

Residence

Individuals, regardless of their citizenship, are considered Armenian tax residents if they are spending more than 183 days within a 12 months period starting or ending in a calendar year, or whose the center of vital interests is in Armenia. The center of a person's vital interests is the place where a person's family or economic interests are. Interests of a person shall be deemed, in particular, to be located in Armenia, provided the house or apartment (where the person's family resides and the principal personal or family property is located) or the place of implementation of the principal economic (professional) activity is therein.

Income from employment

Labour costs in Armenia and other payments deemed equal thereto are considered to be income from employment eg salary, wages, bonuses, commissions, gratuities, allowances, etc.

Source of employment

An employment contract concluded with any Armenian employer (upon availability of a work permit) is considered to be a source of employment in Armenia.

Benefits (in kind)

In-kind (non-monetary) income shall be included in gross income (including the case when of the tax is withheld by a tax agent) at free (market) prices, pursuant to the rules established by the Armenian Government.

Expatriate concessions

Expatriate concessions are not available.

Relief for foreign taxes

According to the local tax legislation income tax paid (withdrawn from) by tax residents in Armenia shall be reduced in the amount of the tax withdrawn from them in foreign countries. For non residents a statement on the taxes withheld in Armenia is provided upon request to have the tax amount appropriately reduced in the country of residence.

The relief issue is also regulated internationally in conformity with the double taxation treaties concluded (ratified) with a number of states, e.g. Belarus, Bulgaria, China, Georgia, Greece, France, Iran, Latvia, Lebanon, Switzerland, Finland, Lithuania, the Netherlands, Romania, Russia, Thailand, Turkmenistan, Ukraine, Qatar, Italy, Estonia, India, Austria, the United Arab Emirates, Poland, Belgium, Canada, Moldova, Syria, Cyprus, Spain, Luxembourg, etc.

Deductions against income

The taxation of expatriates shall be performed on the total paid income with the implementation of several deductions specified by the law, eg the amount of allowances (per diems and accommodation allowances paid at the rates specified by the RA legislation, etc.), except compensation amounts for unused vacation, the amount of insurance premiums paid by the employer for health insurance of expatriates not exceeding AMD 10,000 on a monthly basis.

What taxes?

Capital gains tax

There is no separate capital gains tax in Armenia.

Capital gains of foreign citizens and stateless persons generated from Armenian sources are taxed in accordance with the RA Law 'On Income Tax' at the rate of 10%.

Local taxes

Not applicable.

Investment income

Investment income is deemed mostly generated from securities and capital gain.

Real estate tax

Real estate (buildings and constructions, except lands) is subject to property tax. The tax base is the value of the property, based on which the relevant rate of the property tax is applied.

The tax base for buildings is determined by cadastral. The tax rate on buildings for public and production use is 0.3% per annum on the tax base, which is considered to be the cadastral value. For other buildings, the applied progressive tax rate ranges from 0% to 1%.

Social security taxes

Beginning 1 January 2013, a new income tax has been introduced replacing and unifying previous income tax and compulsory social security payments.

Stock options

Not applicable

Wealth tax

Not applicable

Other specific taxes

Landowners and permanent users of the state-owned land are considered payers of land tax. The calculated net income determined under cadastral valuation of the land shall be the object of taxation for agricultural lands at the rate of 15%. The value of the land under the cadastral valuation shall be the object of taxation for non-agricultural lands at the rate ranging from 0.5% to 1%.

Tax planning opportunities

There are no tax planning opportunities in Armenia.

For further information on expatriate tax services in the Republic of Armenia please contact:

Davit Harutyunyan
E davit.harutyunyan@am.gt.com

Austria

Expatriates taking up employment in Austria will be subject to comprehensive rules and, in some cases, employment visa requirements. The expatriate services team at Grant Thornton Austria can help expatriates and their employers to deal with Austrian tax matters; as well as Austrian labour and social security issues.

In particular Grant Thornton Austria can help expatriates and their employers to identify tax planning opportunities and review tax equalisation policies; as well as providing compliance services regarding Austrian tax, social security and labour law requirements.

Facts and figures

Pre arrival procedures

Before expatriates take up employment in Austria it is important to ensure that the expatriate's employment contract and benefit package are structured in a tax efficient manner.

In addition, visa and work permit requirements may have to be observed:

- employees with EU citizenship do not require residency or work permits. They only need to apply for a registration certificate at the relevant local authority within three months of their stay in Austria
- Romanian and Bulgarian citizens do not require residence permits or visas, but they do require a work permit. From 1 January 2014 this requirement ceases to be in place
- non EU nationals usually need to apply for a visa at the Austrian Embassy or Consulate in their home country before travelling to Austria. In addition a work permit issued by the Public Employment Service Austria – AMS is required



- different regulations apply to foreign placements, e.g. where employees are sent to Austria by a foreign employer to fulfill a contractual obligation. If certain other conditions are met in addition (duration of the project, type of industry etc.) it is sufficient, if the Austrian contractor applies for a so-called foreign placement permit.

Employment visas

Applications for a work permit have to be filed with the Public Employment Service Austria – AMS.

- Employees with EU citizenship do not require a work permit. Transitional arrangements apply to Romanian and Bulgarian citizens until the end of 2013.
- Obtaining a work permit is facilitated for highly qualified labour, skilled labour in professions that are not sufficiently available in the Austrian job market and key staff members. The so called red-white-red card for these categories of employees is issued for a period of one year at first. Once the individual has been employed in such a function in Austria for at least ten months, he/she is entitled to a so called red-white-red card plus which grants unlimited access to the labour market. Information on the conditions for obtaining the red-white-red card is available at: www.migration.gv.at/en/
- Non EU nationals who hold a blue card as issued within the EU can obtain a work permit in Austria if they have a binding offer to work in a highly skilled job in Austria for at least a year. Once the individual has been employed in such a function in Austria for at least 21 months, he/she is entitled to a so called red-white-red card plus which grants unlimited access to the labor market.
- The issuance of other types of employment visas is subject to quotas.

Tax year

The Austrian tax year for employees is the same as the calendar year.

Tax returns and compliance

As a rule, an employer with a permanent establishment in Austria is required to deduct and retain tax on employment income at source on a monthly basis and to comply with the annual payroll tax reporting requirements. Employer payroll tax returns are due by the end of February of the following tax year when filed electronically. If no permanent establishment is maintained in Austria the employer can authorise a representative (e.g. tax advisor) in Austria to administer the tax withholding and reporting, otherwise employees will have to file tax returns.

Even when tax is withheld employees can be required to file a tax return if they have other sources of income exceeding certain limit amounts.

If a resident employee also received income that was exempt from taxation by a double taxation treaty, but needs to be considered for the tax progression in Austria he/she is obligated to file a tax return.

Employee income tax returns are due by 30 April of the year following the tax year or by 30 June if the tax return is submitted electronically. If a tax return is filed late, a penalty of a maximum of 10% of the tax due may be imposed at the discretion of the tax authorities. In addition, interest is due on any tax owed.

Nonresident employees do only have to file a tax return if their Austrian source income that has not been taxed by way of withholding exceeds €2,000.

Employees who are not required to file a tax return can still chose to file one within five years after the end of the respective tax year e.g. to consider deductible expenses that have not yet been taken into account in the payroll.

Income tax rates

The following progressive income tax rates are applied to annual taxable income:

- up to €11,000 taxable income: 0.00%
- over €11,000 and up to €25,000 taxable income: 36.50% of the excess over €11,000
- over 25,000 and up to 60,000 taxable income: €5,110 plus 43.2143% of the excess over €25,000
- over 60,000 taxable income: 20,235 plus 50.00% of the excess over €60,000

Employees pay income tax at reduced rates on special payments such as the 13th and 14th salary and certain bonuses when these are within the annual limit amounts determined as 1/6th of their annualised regular pay in the respective year.

| Annual amount of irregular remuneration items in € (within the ceiling amount and after deducting corresponding employee social security contributions) | Tax rate that applies to special payments |
|---|---|
| first 620.00 | 0.00% |
| next 24,380.00 | 6.00% |
| next 25,000.00 | 27.00% |
| next 33,333.00 | 35.75% |
| above 83,333.00 | Regular tariff tax rate (mostly 50.00%) |

Sample income tax calculation

The employee has no children and receives a monthly salary of €3,000.00 per month. He has a company car, which he can also use privately. The employee's home is 30 kilometers from his place of work and using public transport for the commute would in principle be possible. In line with most collective bargaining agreements in Austria he is entitled to 14 salary payments per year.

| Employment income | € |
|--|------------------|
| Salary (12x) | 36,000.00 |
| Car benefit (1.5% of value up to a maximum of €600 per month) | 2,400.00 |
| Total earned income excluding 13th and 14th salary | 38,400.00 |
| Less tax deduction for commuting 20-40 kilometres to work | 696.00 |
| Less employee social security contributions excluding those on the 13th and 14th salary | 6,948.88 |
| Less standard lump sum deduction for expenses | 132.00 |
| Less standard lump sum deduction for special personal expenses | 60.00 |
| Income taxable at progressive rates | 30,563.12 |
| Computed income tax thereon | 7,514.06 |
| Less standard tax credit for employees | 54.00 |
| Less standard traffic tax credit | 291.00 |
| Income tax payable on income excluding 13th and 14th salary | 7,169.06 |
| 13th and 14th salary | 6,000.00 |
| Less social security contributions on 13th and 14th salary | 1,024.20 |
| Income taxable at fixed rates | 4,975.80 |
| 6% tax on special payments within the annual limit amounts whereby a tax free amount of €620.00 is considered | 261.34 |
| Total income tax payable: | 7,430.38 |

Basis of taxation page

Charge to tax

For tax purposes, individuals are considered resident in Austria if they have either their domicile or habitual place of abode in Austria. Resident taxpayers are taxable on their worldwide income, whether received in money or money's worth. Married persons and children are taxed separately as individuals.

Individual nonresident taxpayers are subject to tax in Austria on their Austrian source income. They only have to file a tax return if their Austrian source income that has not been taxed by way of withholding exceeds €2,000. The zero-bracket for income up to €11,000 in the income tax table does not apply to non-residents – an amount of €9,000 is added to their taxable income when determining the tax, therefore the zero-tax bracket only applies up to €2,000 taxable income. Generally, a non-resident may only deduct expenses that are linked to his/her taxable income in Austria. Personal tax credits are generally not granted to non-residents.

Nonresidents from the EU can apply to be treated as deemed residents for Austrian tax purposes if they derive at least 90% of their worldwide income from Austrian sources and such income is not exempt from Austrian tax under a tax treaty or if income not taxed in Austria does not exceed €10,000.

Residence

Domicile

A domicile is a place where the individual maintains a residence under circumstances, which indicate that he/she will keep and use it not only on a temporary basis.

Habitual place of abode

An individual is considered to have his/her habitual place of abode in Austria, if the person is physically present in Austria for more than 183 days during a year.

Income from employment

Income from employment includes any remuneration, in cash or in kind received by an employed person, whether paid by the employer himself or by a third party. As a rule, the employer is required to deduct and retain the tax on such income at source. The taxation at source applies to most expatriates moving to Austria. In addition they have to file an ordinary tax return if they have other sources of taxable income or if they intend to consider certain deductible expenses.

Source of employment

The regulations of the double taxation agreement between Austria and the respective other country have to be observed. Generally the source of employment income is deemed to be in Austria if the work was performed in Austria. It is irrelevant for this purpose when, where and in which currency the remuneration is paid or where the contract was signed.

Benefits (in kind)

- In Austria most non-monetary benefits are taxable and subject to social security contributions and income tax as well as to employer payroll taxes. In any case the benefit and incentive package of expatriates coming to Austria should be reviewed in detail with regard to tax implications.
- The most common types of taxable benefits in kind in connection with expatriates are the possibility to use a company car privately, the possibility to use a company car parking space and apartment rent paid by the employer.
- Insurance premiums paid by the employer whereby the employee or his/her family are beneficiaries are generally taxable. A tax free amount of €300 applies for certain types of insurance under certain conditions.

- Employer contributions to a pension fund are tax free under certain conditions.
- Formation cost paid by the employer is not taxable if it is clearly business related.
- Company events are tax free up to an amount of €365 per employee per year. Gifts (e.g. Christmas presents) received as part of such a company event are tax free up to an amount of €186 per employee per year.
- Tax free amounts are available for employee stock purchase programs that meet certain requirements.
- Payments the employer makes towards child care costs of the employee are tax free up to an amount of €500 per child per year.
- There are also tax free amounts regarding meals vouchers.

Expatriate concessions

Inbound expatriates

According to a decree of the Ministry of Finance, certain expenses of expatriates may be deducted when determining and retaining the tax on employment income at source. This provision applies to individuals who have not been resident in Austria during the past ten years and only work temporarily in Austria (maximum five years), if their salary is subject to Austrian tax. Expenses deductible under this rule include:

- moving expenses
- expenses for a second residence at the place of work up to €2,200 per month, provided that the expatriate keeps his main residence abroad
- private school fees for the taxpayer's children up to €110 per month
- trips to the main residence in the employee's home country of up to €306 per month.

Outbound expatriates

Effective from 1 January 2012 a tax exemption provision is available for temporary assignments abroad that involve aggravating work risk factors (e.g. temperature, dust, dirt, health risks) or aggravating assignment country factors (countries where travel warnings have been issued or countries that are listed on the DAC List of ODA Recipients issued by the OECD).

The exemption can be claimed for employees that are assigned to the project abroad by an employer resident in the EU/EEC or Switzerland or from a permanent establishment located within the EU/EEC or Switzerland when the assignment location is at least 400 kilometers from the Austrian border and the assignment duration is not shorter than one month. Certain other prerequisites need to be fulfilled in addition.

The tax free amount is determined as 60% of the remuneration for the assignment after deduction of social security contributions and limited with the applicable ceiling amount for social security contributions (€4,440 per month in 2013). This amount is exempt from wage tax and employer payroll taxes and not considered when determining tax progression. The tax exemption does not apply to irregular remuneration items such as the 13th and 14th salary in Austria and certain bonuses.

Relief for foreign taxes

- Austria has concluded double taxation agreements with more than 70 countries in the world. Where a Double Taxation Agreement (DTA) exists, double taxation is eliminated in accordance with the exemption method foreseen in the DTA.

- Where no DTA applies, double taxation on most foreign source income is alleviated by exempting the foreign source income from taxation in Austria provided that the average tax rates and taxation in the other country are comparable and appropriate documentation is maintained. The foreign income is still considered to determine tax progression. If the conditions are not met, foreign tax paid can be deducted from the Austrian tax payable on this type of income. The credit can however not be higher than the amount of Austrian taxes on such income.

Deductions against income

Deductions can include special personal or family expenditures and extraordinary expenses, which can either be claimed in full or up to a limit amount.

Non resident tax payers can only deduct expenses that are directly related to their Austrian income. Personal and family expenditures of non resident taxpayers can not be considered.

| The most frequent standard lump-sum deductions against income are: | |
|--|----------------|
| Standard lump sum deduction for expenses | €132.00/year |
| Tax deduction for commuting, when public transport could be used: | |
| – if the trip to work exceeds 20 km | €696.00/year |
| – if the trip to work exceeds 40 km | €1,356.00/year |
| – if the trip to work exceeds 60 km | €2,016.00/year |
| Tax deduction for commuting, when public transport is not available for this trip: | |
| – if the trip to work exceeds 2 km | €372.00/year |
| – if the trip to work exceeds 20 km | €1,476.00/year |
| – if the trip to work exceeds 40 km | €2,568.00/year |
| – if the trip to work exceeds 60 km | €3,672.00/year |
| Standard lump sum deduction for special personal expenses | €60.00 |

| The most frequent tax credits to be deducted from income tax are: | |
|---|--------------|
| Standard tax credit for employees | €54.00/year |
| Standard traffic tax credit | €291.00/year |
| Child-related deduction sole earner 1st child | €494.00/year |
| Child-related deduction sole earner 2nd child | €669.00/year |
| Child-related deduction sole earner each following child | €220.00/year |

As part of the personal income tax return numerous deductions e.g. for work related expenses and formation expenses that were not reimbursed by the employer, medical expenses that constitute an extraordinary burden, certain insurance premiums, certain donations to not-for profit organisations and church fees can be deducted against income.

What taxes?

Capital gains tax

In general, only speculative gains are considered taxable income.

Capital gains realised from investment property generating investment income are taxed as investment tax income at the 25% withholding tax rate irrespective of any holding period (see below under investment income).

Gains from the sale of real estate will be taxed at a rate of 25% even if more than ten years have passed provided the property was acquired after 1 April 2002. Lower rates apply to the sale of real estate acquired before April 2002 depending on whether its value increased due to a change in the zoning classification of the land after 1 January 1988 (15%) or not (3.5%).

Inheritance, estate & gift taxes

Effective 1 August 2008 inheritance and gift taxes have been abolished in Austria. There are however reporting requirements for gifts.

Investment income

The treatment of investment income in Austria changed effective 1 April 2012 and various transition regulations apply e.g. for portfolio shareholdings and funds that have been acquired before 1 January 2011 and before 31 March 2012.

Under the new regime interest earned, dividends received from a resident company, capital gains realised from investment property generating investment income and income from derivatives are taxed at a final withholding tax rate of 25%.

Exemptions for newly issued shares in resident companies are available under certain conditions.

Royalties and income from immovable property are not considered investment income but taxable as income from rents, lease payments and royalties at the normal income tax rates.

Local taxes

In Austria certain types of taxes are levied by the local communities and other types of taxes are levied by the national tax office. There is however no two tier tax system where income would be subject to both state and national taxes.

Real estate tax

Immovable property situated in Austria is subject to a rather low real estate tax. The tax is levied based on the assessed standard value of immovable property. In general the assessed value of real estate is substantially lower than its market value. Real estate tax is levied at a basic federal rate of usually 0.2% multiplied by a municipal coefficient.

Municipal coefficients range up to 500%.

The acquisition of real estate is also taxable in Austria. The tax rate is 3.5%. A higher rate applies to acquisitions by trusts, a lower rate applies to the acquisition by a close relative. The basis for this tax is usually the value of the compensation received. In certain instances e.g. when the value of the compensation cannot be determined or there is no compensation, the assessed standard value of immovable property times three is used as the basis.

Social security taxes

In general employees are subject to compulsory social security under the Austrian social security system with income they receive for work mainly performed in Austria. Under certain conditions employees who are placed in another country for not more than five years continue to be subject to social security in Austria even when their place of work is not in Austria during that time. EU/EEC regulations and social security agreements can mandate otherwise:

Within the EU/EEC and Switzerland employees are subject to social security in only one country. Collision rules determine which country's social security system applies based on the employee's place of work – except for short term delegations to another country – the country in which the employee is resident and other criteria.

As far as countries other than EU/EEC members and Switzerland are concerned Austria has entered into social security agreements with several countries. Some of these agreements do however only cover pension insurance as e.g. the agreement with the USA or Canada. Full scope social security agreements are in place with other countries such as Croatia, Serbia and Bosnia. Generally these social security agreements only apply to short term delegations and for example not to employees maintaining employment relationships in two countries at the same time – in these cases employees can be subject to social security in two countries, whereby each country levies social security on income from work performed mainly on its territory.

Under Austrian social security regulations, contributions are levied up to a ceiling amount of €53,280 per year or €4,440 per month (a separate ceiling of €8,880 applies to certain irregular remuneration items, such as the 13th or 14th month's salary and certain bonuses).

For 2013 the employee contribution rates are:

| Contribution for | White-collar | Blue-collar |
|------------------------|--------------|-------------|
| | Rate (%) | Rate (%) |
| Pension insurance | 10.25 | 10.25 |
| Health insurance | 3.82 | 3.95 |
| Unemployment insurance | 3.00 | 3.00 |
| Housing fund | 0.50 | 0.50 |
| Total | 17.57 | 17.70 |

Certain employees must make a contribution to the chamber of employees (0.5%) in addition other minor contributions can apply.

Employee social security contributions are deductible for income tax purposes.

For 2013 the employer contribution rates are:

| Contribution for | White-collar | Blue-collar |
|------------------------|--------------|-------------|
| | Rate (%) | Rate (%) |
| Pension insurance | 12.55 | 12.55 |
| Health insurance | 3.83 | 3.70 |
| Unemployment insurance | 3.00 | 3.00 |
| Accident insurance | 1.40 | 1.40 |
| Insolvency Fund | 0.55 | 0.55 |
| Housing fund | 0.50 | 0.50 |
| Total | 21.83 | 21.70 |

For employment agreements starting on or after 1 January 2003, the employer has to pay monthly contributions of 1.53% to a mandatory occupational retirement fund.

| The employer is also liable to certain payroll related taxes which are: | |
|---|---|
| Local community tax: (KommSt) | 3% |
| Employer contribution to FLAF (DB) | 4.5% |
| Additional employer contribution to FLAF | 0.39% to 0.44% depending on the state |
| Vienna City tax | 2.00 EUR per week per employee |

Stock options

Stock options are treated as income from employment and subject to the individual progressive tax rates. If the stock options are not traded options taxes are levied at the time of exercise and not at the grant date. Tax treaties often refer to the vesting date instead.

Wealth tax

There is currently no wealth tax in Austria.

Other specific taxes

Stamp duties are levied if certain legal transactions such as e.g. lease and rental agreements or guarantee agreements are concluded in written form. The rates vary between 0.8% and 2% and some duties are levied as a fixed amount.

Under certain conditions even legal documents executed abroad may be subject to Austrian stamp duty, especially if the transaction will be performed in Austria or refers to an object situated in Austria.

Tax planning opportunities

| Earnings description | Planning possible |
|---------------------------|-------------------|
| Cost of living allowance: | Y |
| Housing: | Y |
| Home leave: | Y |
| Club membership: | N |
| Moving expenses: | Y |
| Foreign service premiums: | Y |

For further information on expatriate tax services in Austria please contact:

Alexandra Platzer

E alexandra.platzer@at.gt.com

Azerbaijan

Azerbaijan's tax system is under rapid development and improvement. The submission of tax returns and communication with the tax authorities are through a well-developed on-line system hosted by the Ministry of Taxation. Declarations and tax returns are submitted electronically in a paperless form which is the part of the e-government system.

The tax regulation in Azerbaijan has three main regimes:

- **statutory tax regime regulated by tax code**
- **production Sharing Agreement (PSA) regime, which is regulated by PSA protocols**
- **host government agreement (HGA) regime, which is regulated by HGA protocols.**

There are a series of protocols for PSA. However, for the most of them the main provisions and requirements are similar. Therefore in the next few pages we mainly focused on the statutory tax regime considering important aspects of major PSA protocols.

Facts and figures

Pre arrival procedures

Visas are necessary to enter the Republic of Azerbaijan. Foreigners and individuals who do not have Azerbaijan citizenship need to obtain visas from the Azerbaijan Embassy and Consulate General located in their home countries.

Foreigners and individuals without an Azerbaijan citizenship also need to obtain a work permit (individual) to be employed in Azerbaijan. The applications are made through/by the employers.

Work permits are issued for one year and can be extended up to four times. The fee for a work permit is AZN 1,000 (approximately USD 1,290).

There are certain categories of foreign individuals who do not need to obtain work permits.



Employment visas

Foreigners applying for a work permit should hold the required qualifications. Certain categories of individuals having high professional qualifications are eligible for work/living permits.

The rules for granting visas are different depending on the agreement made between Azerbaijan and different countries, including the EU and CIS countries. The terms and length of visas differ depending on these agreements and the length of a visa is usually 30 or 90 days.

There are three main categories of visas:

- diplomatic
- ordinary
- service.

Ordinary visas are granted to foreigners and individuals having no Azerbaijan citizenship visiting the country for the following purposes:

- business
- research and science
- education
- employment
- tourist
- cultural
- sport events
- humanitarian
- private trips.

Diplomatic and service visas are granted to foreigners and individuals having no Azerbaijan citizenship whose visits are related to official purpose. Their visits are regulated by separate rules in line with international agreements.

For obtaining visas, invitation letters and an inviting party are required.

The visas are necessary for family members (spouse and children) and their visas are granted based on the expatriate work permit.

Tax year

The tax year is the same as the calendar year, ie a year ended on 31 December.

Tax returns and compliance

In general the tax return filing due date is fixed for each tax separately. For example, the deadline for filing 'profit tax returns' for entities and an 'income tax return' for individuals engaged in entrepreneurial activities is the 31 March of the year following the reporting year. It is possible to extend the date of submission of the tax returns and declarations by sending a written notification to the Ministry of Taxation prior to the deadline.

Expatriates working under employment contracts or foreign individuals getting income from employment in Azerbaijan do not need to submit/file tax declarations and returns. Their income is taxed at source in the form of withholding tax (WHT) and withheld by employers. The employer is then responsible for the income tax return filing.

Foreigners conducting entrepreneurial activities in Azerbaijan need to submit tax returns and declarations.

Please note there is a penalty for late filing.

Income tax rates

The tax rate on income from employment is as follows:

| Account of monthly taxable income | Amount of tax |
|-----------------------------------|--|
| Up to AZN 2,500 | 14% |
| Over AZN 2,500 | AZN 350 +25% of the amount above AZN 2,500 |

There is a personal allowance, which is the official threshold of minimum salary approved by the legislation. Where an employee's salary is less than AZN 200, the personal allowance of AZN 93.5 is deducted for taxation purposes.

Foreign individuals (having a residency status) conducting entrepreneurial activities will be subject to either simplified tax or Value Added Tax (VAT) depending on their income threshold for a consecutive 12 month period, which is AZN 90,000 (approximately USD 115,000). The tax rate for simplified tax is 4% for Baku and 2% for regions on the gross turnover. Income of foreign individuals (having a non-residency status) will be subject to WHT at source and these tax rates will depend on the types of their incomes.

Sample income tax calculation

| | Rate |
|---|----------------------|
| Income from employment | |
| Salary | 4,200 |
| Per-diems for business trips | 500 |
| Meals provided by an employee | 300 |
| | 5,000 |
| Income tax calculations | |
| Total income | 5,000 |
| Deduct | |
| Per-diems | (500) |
| Meals provided by an employee | (300) |
| | (Gross) 4,200 |
| Income tax | |
| Up to 2,500 at the rate of 14% | |
| Above 2,500 at the rate of 25% | |
| Income tax $(4,200-2,500) \times 25\% + 350$ | (775) |
| Deduction to the social fund $= 4,200 \times 3\%$ | (126) |
| Payable to employee | 3,299 |

Basis of taxation

Charge to tax

Foreigners pay income tax based on their length of stay in Azerbaijan and other specific criteria.

An expatriate's income generated from Azerbaijan sources are taxable and for this purpose residency and non-residency criteria are considered. The taxation rules for residents and non-residents differ.

Residence

The main criteria for residency for taxation purpose is as follows:

- presence in the territory of Azerbaijan for more than 182 days during a calendar year
- if the above presence is less than 182 days, the criteria such as permanent living place, citizenship will be applied.

Income from employment

Income from employment is as follows:

- principal incomes in the form of salaries/wages and pension
- in the event of loans granted to the natural person at the interest rate which is lower than the inter-bank credit market interest rate – the difference between the amount to be paid at the market rate of inter-bank credit trade for such loans, and amount to be paid in accordance with lower rates
- goods, works, services made by an employer to employee on gratuitous basis
- the amount of reimbursement made by an employer

- the amount of written off of the employee's debt or obligations by his employer
- insurance premiums paid by an employer
- bonuses.

Expatriates receiving income from employment in Azerbaijan are subject to income tax and employers are required and responsible to deduct the income tax from an expatriates salary.

Source of employment

The main criteria are the place where the services were rendered, duties performed and location of the income generated assets.

Benefits (in kind)

Benefits in kind are subject to income tax.

Expatriates benefits are also subject to income tax and will be deducted from salary by the employer who is responsible for both the deduction and payment of the tax.

Benefits related to certain social services provided by an employer, such as meal and entertainment are not subject to income tax.

Expatriate concessions

Under certain circumstances (for example expats working under a PSA or HGA) there are some concessions.

Relief for foreign taxes

Azerbaijan has signed protocols on avoidance of double taxation with several countries. These protocols provide guidance for double taxation treatments.

Deductions against income

There are certain categories of income exempt for income tax purposes. The following are examples but not exhaustive:

- inheritance and gifts received from family members
- income from sale of the property where a taxpayer lived the last three years
- business related expenses, such as per-diems
- compensation for damages
- lottery winnings
- portion of gifts
- personal allowance

What taxes?

Capital gains tax

There is no separate capital gains tax in Azerbaijan, capital gains are subject to income tax.

Inheritance, estate and gift taxes

There is no separate inheritance, estate and gift tax in Azerbaijan. However assets, properties and estates inherited and gifts received are taxed within income tax. The income tax rates are applied for these incomes. There are specific rules of exemptions/reliefs for taxation of these assets.

Expatriates will also be taxed for receiving these assets/incomes.

Investment income

There is no separate investment tax in Azerbaijan. Investment incomes, such as dividends, interest received on securities and shares are subject to WHT at source. The investment incomes are taxed within the income tax.

Dividends and interests received by resident individual are subject to WHT at rate of 10%. Royalty and rent received are subject to WHT at 14%.

Non-resident individuals receiving investment incomes from an Azerbaijan source are also subject to WHT at the rate applied for residents.

Local taxes

Azerbaijan tax system consists of three main components:

- state taxes
- taxes of Nakchevan Autonomous Republic
- local taxes

Local taxes are imposed by the local municipalities and include the following:

- property tax of individuals
- tax on land of individuals
- mining tax on constructions materials having local importance
- profit tax of the entities owned by municipalities.

Real estate tax

There is a property tax in Azerbaijan. Entities and individuals who own property (land, building and other fixed assets) are subject to property tax. The tax rate is 1% on the carrying amount of the non-current assets owned by entities.

Individuals pay the property tax to municipalities. The rate is 0.1% on the property value. However, the value up to AZN 5,000 (approximately USD 6,400) is exempt.

Social security taxes

Employers and employees are subject to the social insurance contribution to the State Social Protection Fund.

The employers pay social insurance contributions at the rate of 22% on the gross salary accrued. The accrued amount is the expenditure of the employers. Employees pay social insurance contributions at the rate of 3% on their salaries. The accrued amounts are deducted from the employees' salaries.

Foreign individuals having employment contracts and income from Azerbaijan sources are subject to social insurance contributions. There are exemptions and relief from social insurance contributions for expatriates working under the PSA and HGA.

Residents are subject to social insurance contributions. The responsibility for payments of social insurance contributions is that of employers. The payments for the month have to be made by the 15th of the next month. Expatriates having residency are subject to social insurance contributions.

Wealth tax

There is no wealth tax in Azerbaijan.

Value added tax

In general, the Value Added Tax is accrued on the turnover (sales) at the rate of 18%. In general, the below are subject for registration for VAT purposes.

- legal entities which have the volume of taxable operations for the previous 12 month period more than AZN 120,000
- individuals engaged in entrepreneurial activities without establishment of a legal entity, which have the volume of taxable operations more than AZN 90,000

Entities and individuals engaged in the production of the goods subject to excise will also be subject to VAT.

The reporting period for VAT is one month and tax declarations are submitted and tax payments made for each month by 20th of the month following the reporting month. The VAT taxpayers are entitled to off-set the input VAT (VAT paid on acquisition and purchase of the goods and services) against the VAT accrued on the sale. The VAT payments are made through the VAT deposit account opened and controlled by the Ministry of Taxation.

Import of goods and services are subject to VAT. There are some exemptions and reliefs which are stipulated by the legations.

The goods and services provided by non-residents are subject to VAT.

Export is imposed by VAT at the rate of “0” (nil).

PSA and HGA have different regime for VAT.

Excise taxes

Excise is an indirect tax included in the sale price of goods subject to excise. Excise goods produced in or imported into the Republic of Azerbaijan shall be subject to excise tax, except for goods that are exempt from tax.

The following are the subject to excise tax:

- all types of alcoholics drinks/beverages
- tobacco products
- oil products
- light cars and vehicles (there are some exceptions)
- yachts for leisure and sport

The rates are fixed depending on the types of goods (as above). For example:

- light vehicles – the excise tax is calculated based on the volume of the engine
- alcoholic drinks/beverages – the rates are applied in AZN on per litre depending on the percentage of the alcohol.

Input excise tax is allowed to be off-set against accrued excise on sales.

Specific taxes

Road tax

Residents and non-residents who own and use transport in the territory of Azerbaijan are subject to road tax. Road tax is paid based on the engine volume, weight of vehicle and other specific criteria stipulated in the tax code.

Mining tax

Residents and non-residents extracting natural resources in the territory of Azerbaijan are subject to mining tax. The tax rates are diversified depending on the types on the natural resources.

Simplified tax

Legal entities not registered for VAT purposes, which have the volume of taxable operations for the previous 12 months period at AZN 120,000 and less; and individuals engaged in entrepreneurial activities without an establishment of a legal entity, which have the volume of taxable operations at AZN 90,000 and less, are entitled to be a taxpayer under a simplified tax regime.

The tax rate for simplified tax is 4% for Baku and 2% for regions on the gross turnover. The reporting period is a quarter and tax payments are made and tax declarations are submitted for each quarter no later than 20th of the month following the reporting quarter.

Tax planning opportunities

Main tax opportunities:

- contract legal form (employment or service contract)
- treatment of the expenditure (reimbursement or business expenditure)

For further information on expatriate tax services in Azerbaijan please contact:

Gulnara Bakhshiyeva

E gulnara.bakhshiyeva@gtazerbaijan.net



Belgium

Expatriates taking up employment in Belgium will be subject to comprehensive rules and, in some cases, employment visa requirements.

The Global Mobility Services team at Grant Thornton Belgium, can help expatriates and their employers to deal with the Belgian visa and work permit requirements, with Belgian labor law and social security issues, as well as with Belgian income tax items.

In particular we can assist expatriates and their employers to identify Belgian tax planning opportunities, review tax equalisation policies; as well as providing compliance services regarding Belgian tax filing requirements.

Most expatriates will qualify for the special non resident tax status. We can prepare the formal application for the special tax status to be submitted to the competent tax office within a period of six months following the month of arrival.

Facts and figures

Employment visas

The employers of non-EEA (European Economic Area) nationals are usually required to apply for a work permit prior to the employee taking up employment in Belgium.

A residence visa must also be obtained to allow the expatriate to live in Belgium. Where the expatriate's spouse and family relocate to Belgium, relevant visas and separate work permits (where the spouse will also work) will be required. Where the expatriate is an EEA national the above procedure is usually not required.

Tax year

The Belgian tax year runs from 1st January to 31st December.

Tax returns and compliance

Individuals who are Belgian resident for tax purposes must file their tax return at the latest on the due date indicated on the tax return (generally June 30). The same rules apply to individuals who are not Belgian resident for tax purposes. When no return is received, the taxpayer should request one by June 1 at the latest.

Tax payers providing their tax consultant a proxy to file the tax return on their behalf through the so-called Tax-on-Web application are granted an extended filing due date till October 31.

For employees and directors taxes are normally already deducted at source. When no withholding taxes need to be deducted, taxes will become payable within a period of 2 months following the receipt of a tax bill. Married taxpayers (or legal cohabitants) file a joint income tax return. However professional income is taxed separately on behalf of each taxpayer. Investment income and real estate income is taxed on behalf of the member of the household who is the legal beneficiary of this type of income.



Income tax rates – 2015 income

| Tax income | Tax payable |
|------------------------|-------------|
| €0 – 8,710.00 | 25% |
| €8,710.01 – 12,400.00 | 30% |
| €12,400.01 – 20,660.00 | 40% |
| €20,660.01 – 37,870.00 | 45% |
| >€37,870.01 | 50% |

A tax free amount of €7,090,00 is normally available, possibly increased for dependent children. Standard (Maximum €4,090,00) or itemised business expenses can be deducted.

Sample income tax calculation for a non resident executive (with application special tax status)

| | € |
|---|--------------------|
| Gross salary | 50,000.00 |
| Cost of living allowance | 10,000.00 |
| Total employment Income: | 60,000.00 |
| (of which €11,250 are assumed as tax free allowances (TFA) under the special tax regime for foreign executives) | |
| Less | (11,250.00) |
| Social security contributions (TFA increased with travel exclusion) (13.07%) | (5,964.00) |
| Travel exclusion (20%) | (8,557.08) |
| Standard business expenses | (3,366.61) |
| Taxable salary | 30,861.71 |
| Income tax thereon: | |
| On 20,600 | 6,588.50 |
| On 10,201.71 @ 45% | 4,590.77 |
| Total (A) | 11,179.27 |
| Personal allowance (single 7,090.00) | |
| Income tax thereon: | |
| On 7,090.00 @ 25% (B) | (1,772.50) |
| Income tax (A-B) | 9,406.77 |
| Plus: | |
| Communal tax (7%) | 658.47 |
| Income tax due | 10,065.25 |

Basis of taxation

Charge to tax

A charge to Belgian tax is dependent on whether the income arises in Belgium. The extent of the charge will be determined by an individual's tax residency status.

Residence

Under Belgian law, the place of tax residence is governed by several criteria and is generally defined as the place where an individual has his/her permanent home (i.e. generally where the family is living) or where an individual has his/her center of economic interest (i.e. place where an individual manages his/her private affairs).

The Belgian tax code provides also for a refutable assumption that an individual is a tax resident of Belgium when he/she is registered in the National Register of individual persons in Belgium. This registration takes place in the commune where the individual resides. Moreover Belgian tax code provides for an irrefutable assumption of tax residency when in case of marriage or legal cohabitation, the family resides in Belgium. Individuals that are Belgian residents are taxed on their worldwide income and gains. Non-residents are only taxed on their Belgian source income and gains.

However, expatriates who qualify for the special non resident tax status continue to be considered as tax non residents during the whole period of their assignment to Belgium. (see below “expatriate concessions”).

Income from employment

A Belgian tax charge arises on employment income derived from duties performed in Belgium. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc.

Source of employment

As mentioned above, where duties are performed in Belgium, any remuneration received in respect of these duties is treated as Belgian sourced income and, therefore, subject to Belgian income tax regardless of the expatriate's tax residence status (subject to the relevant double taxation treaty).

Benefits (in kind)

In general, where the benefit is enjoyed in Belgium, a Belgian income tax charge will arise. Therefore, housing, meal allowances, provision of a car and relocation allowances will come within the charge to Belgian income tax in addition to the individual's salary.

Expatriate concessions

Foreign executives or specialists qualifying for the special non-resident tax status are taxed on all income derived from their employment activity (salaries, bonuses, fringe benefits,...) from which are excluded:

- the portion of the employment income related to the number of days worked outside of Belgium (so-called travel exclusion). Special rules apply for the determination of the foreign working days
- certain expatriate allowances or expense reimbursements (see further).

The foreign nationals qualifying for the special non resident tax status will not be taxed on supplementary securing and non securing expenses which are incurred as a result of their recruitment or transfer to Belgium, whether paid as lump sum allowances or as specific reimbursements of expenses (i.e. housing allowances, cost of living allowances, tax equalisation, home leave, school fees at an international school, etc). Depending upon the function exercised by the foreign executive, the maximum annual excludable expenses or allowances amount to €11.250,00 or 29.750,00. However, the above ceilings do not include reimbursement of school fees or the reimbursement of moving expenses.

As already indicated, these foreign executives are considered to be non residents for tax purposes. As such, they can not claim tax treaty benefits as a Belgian tax resident.

The conditions to obtain the special tax status are (summarised) the following:

- the employing company must be part of an international group
- the employing company must be a commercial organisation
- the expatriate must be a foreign national
- the expatriate must exercise a managerial function
- the expatriate must demonstrate that he/she has kept the center of his/her economic interests outside of Belgium.

We can assist in preparing the formal application which must be filed at the competent tax office within a period of six months following the month of arrival.

There is principally a requirement for the expatriate's employer to deduct Belgian withholding taxes from the assessable employment income. The amount of withholding taxes is determined according to specific tables provided by the tax administration. The employer can deviate from these tables directly implementing the tax benefits of the special tax status by reducing the amount of withholding tax withheld.

Relief for foreign taxes

Where income has been subject to tax twice (in Belgium and a foreign jurisdiction) expatriates who are Belgian tax residents may be granted relief by the Belgian tax authorities where provided for in the relevant double taxation treaty or relevant internal tax legislation.

Deductions against income

In determining the taxable amount of the employment income, compulsory social security contributions paid either in Belgium or abroad are fully tax deductible. Professional expenses can be claimed either by itemising the expenses actually made or on a lump sum basis using the standard business expenses deduction. A wide range of deductions may be taken against the net income subject to conditions and limitations: e.g. gifts, payments for child care, alimony payments, mortgage interest, mortgage capital reimbursements and related insurance premiums. Other expenses incurred may result in tax credits: life insurance premiums, personal contributions to pension funds, energy saving investments. A taxpayer is entitled to standard tax free amounts and dependent (children) deductions.

What taxes?

Capital gains tax

In general, capital gains are tax free in Belgium. Only capital gains on Belgian real estate (short-term assets) may be taxable under certain conditions.

Inheritance, estate and gift taxes

Inheritance tax rules and taxes differ according to the Region where the deceased had his/her fiscal residence in Belgium. Gifts are subject to gift taxes (but many exceptions can apply). Transfer taxes apply to various asset (principally property) transfers and leases at rates ranging from 0.2% to 12.5%.

Investment income

The expatriate's Belgian tax residency status will determine whether investment income such as interest, dividends etc., will become liable to Belgian income tax.

Belgian source interest are in principal subject to a withholding tax of 25% (15% under some conditions). Dividends are taxed at a rate of 25%. Expatriates qualifying for the special non resident tax status may only be taxed on Belgian source interest and dividend income.

Local taxes

Local taxes are payable as a percentage of the federal income taxes (usually 7%).

Real estate tax

A tax is levied on the annual rental value of the immovable property. The rate varies according to the region in which the property is located.

Social security taxes

Where duties are performed in Belgium, a charge to Belgian Social Security may arise. When the expatriate is treated as an employee, he/she will be subject to personal social security contributions of 13.07% on total gross compensation. The employer will also be required to contribute about 34% of the relevant income and benefits to Belgian social security system.

Social security contributions must be collected at source along with the withholding taxes.

Where the expatriate is seconded from a EU jurisdiction and holds the relevant documentation (A1) an exemption to Belgian Social Security will apply (limited in time – usually 5 years).

Where the expatriate is seconded from a jurisdiction outside the EU with which Belgium holds a Bi-Lateral Agreement and the expatriate holds the relevant documentation (certificate of coverage), an exemption to Belgian Social Security will apply (limited in time).

Where the expatriate is transferring from a jurisdiction that does not fall into one of the above categories, the Belgian rules will determine his liability to Belgian social security taxes.

Compulsory Social Security contributions are tax deductible.

Expatriates benefiting from the special tax status who are subject to Belgian social security are allowed to exclude the tax free allowances also from social security. Moreover under certain circumstances these tax free allowance can be increased with the travel exclusion resulting in an additional social security saving (both for the employee and the employer).

Stock options

The taxable moment is at the time of “grant” of the stock options under the condition that the employee accepts the offer in writing within the sixtieth day following the offer date. The taxable benefit is at that moment determined on a lump-sum basis. The basic rule is that the taxable benefit amounts to 18% of the value of the underlying shares for an option valid for a maximum of 5 years. This percentage is increased by one percent per year started after the 5-year maturity period of the option. The percentage thus obtained can even be reduced by half if certain conditions are met. Normally, the taxable benefit is exempted from social security contributions. The capital gain realised upon exercise and sale of the shares is tax free.

When the offer of the options is not accepted within the sixty day period referred to above, taxation will occur at exercise. The taxable benefit will be determined as the positive difference between the market value of the shares at exercise and the exercise price. Social Security contributions will normally also be due. Subsequent capital gains upon sale of the shares are tax free.

Wealth tax

There is no wealth tax in Belgium.

Other specific taxes

There are no other specific taxes in Belgium.

Tax planning opportunities

For foreign nationals who do not qualify for the special non resident tax status and who perform duties outside of Belgium, split payroll arrangements could be considered thus reducing the overall tax burden.

When free housing is provided by the employer, the taxable fringe benefit can be reduced if the rental agreement is contracted by the employer.

Company cars normally constitute a tax effective fringe benefit.

Deferred compensation schemes can be set up subject to certain conditions. Stock options offered by a foreign employer are preferably granted before the assignment to Belgium as taxation may occur at grant.

| Earnings description | Planning possible |
|--------------------------|-------------------|
| Base salary | Y |
| Bonus | Y |
| Cost of living allowance | Y |
| Housing | Y |
| Home leave | Y |
| Club membership | N |
| Moving expenses | Y |
| Foreign service premiums | Y |
| Education/schooling | Y |

For further information on Global Mobility Services in Belgium please contact:

Stefan Creemers
T +32 2 242 11 41
E stefan.creemers@be.gt.com



Botswana

Grant Thornton has been a tax service provider for more than 30 years in Botswana, a country which, since independence, has had many professional expatriates.

The local team is headed by **Rajesh Narasimhan, Partner** and assisted by a team of 20 staff including qualified executives.

Botswana has always supported foreign owned entities to bring in their employees from other countries for start-up and training purposes. Grant Thornton being the largest service provider in Botswana is regularly approached by these foreign entities for various professional services including:

- registering the entity and key management personnel for tax
- registering the entity for Pay As You Earn (PAYE) tax (tax levied on the salaries of employees)
- assistance in structuring the package to be tax efficient
- advising expatriates about local corporate tax requirements
- filing of PAYE return annually with the Botswana Unified Revenue Service (BURS)
- filing of personal tax returns annually with BURS
- obtaining tax clearance for expatriates leaving the country
- assisting with the requirement of employee terminal benefits
- assisting with any other tax queries.

Facts and figures

Pre arrival procedures

For entry into Botswana the expatriate will need a visa and for taking up any employment must obtain a work permit and a residence permit. Citizens of countries that require entry visas must apply in person at the nearest consulate of Botswana.

All Commonwealth countries do not require visas for entry into Botswana except for Bangladesh, Ghana, India, Nigeria, Pakistan and Sri Lanka.

All travellers to Botswana will need a passport valid for 90 days following the departure date and all passports should have at least two unused pages.

Visas are normally issued for 30 days and are issued within a period of two to three weeks, but an extension of a further 30 days to a maximum of 90 days stay may be granted.

There are two types of visas – single entry and multiple entry visa.

Separate application forms are to be filled out by each family member and all necessary documents attached.

A letter from the host/sponsor is essential.

There are no tax related issues that an expatriate needs to put in place.



Employment visas

Work permit applications are dealt with by the labour and immigration departments.

The application must be submitted by the employer on behalf of the employee.

If the job is on the official occupation shortage list, eg: accounting/auditing, medical sector and some engineering type jobs, it stands a better chance of being granted a work permit.

Obtaining a work permit takes four weeks from the time of application.

Tax year

The tax year starts on 1 July and ends on 30 June

Tax returns and compliance

Personal tax returns are to be submitted by 30 September.

The employer has an obligation to deduct and pay tax on a monthly basis on the total employment earnings of the employee.

There are penalties imposed for late filing of tax returns.

There are no other filing obligations for expatriates apart from filing a personal tax return.

Income tax rates

| For residents | Rate (%) |
|-------------------|--|
| 0 – 36,000 | 0 |
| 36,001 – 72,000 | 0 + 5% of excess over P36,000 |
| 72,001 – 108,000 | 1,800 + 12.5% of excess over P72,000 |
| 108,001 – 144,000 | 6,300 + 18.75% of excess over P108,000 |
| above 144,000 | 13,050 + 25% of excess over P144,000 |

Individuals non-residents

Taxable income

| For non residents | Rate (%) |
|-------------------|--|
| 0 – 72,000 | 5% for every rule |
| 72,001 – 108,000 | 3,600 + 12.5% of excess over P72,000 |
| 108,001 – 144,000 | 8,100 + 18.75% of excess over P108,000 |
| above 144,000 | 14,850 + 25% of excess over P144,000 |

Basis of taxation

Charge to tax

Every individual will have to declare their gross income received, whether in cash or otherwise, accrued or deemed to have been accrued from every source situated or deemed to have been situated in Botswana.

There are no different rule of taxation between a resident and a non resident. A resident citizen of Botswana is taxed on all his world wide income.

Residence

A taxpayer is resident in Botswana if:

- their permanent place of abode is in Botswana
- they are physically present in Botswana for not less than 183 days in that tax year, whether or not they maintain a place of abode in Botswana
- they maintain a place of abode and are physically present in Botswana for not less than 183 days in that tax year; and for the purposes of this subparagraph, they shall be deemed to be physically present in any part of that period notwithstanding that they are temporarily absent for business, recreation or similar purposes

- they are physically present in Botswana for any period of time in that tax year and such period is continuous with a period of physical presence in the immediately preceding or immediately succeeding the tax year, and provided they are treated as resident for such preceding or succeeding tax year.

Income from employment

All amounts paid during the course of the employment and as per the terms of the contract will be deemed as income from employment.

An expatriate in Botswana, who comes with an intention to live in Botswana for a period exceeding 180 days will be immediately liable for taxation in Botswana.

Employers have the obligation to deduct tax on all the earnings from his employment and remit the same to the revenue authorities every month.

The minimum amount above which tax is liable is P36,000.

Contractual gratuity received by an expatriate is exempt to the extent of 1/3rd of the amount received. The employee should have had continuous employment of not less than 24 months in order to be eligible for a contractual gratuity.

Source of employment

The source of employment is deemed as whether the service rendered was done in Botswana or deemed to have been done in Botswana. If the employment expense is incurred in Botswana, the employment was deemed to have been in Botswana.

Benefits (in kind)

All benefits are subject to tax. Benefits would include housing, vehicle, school fees amongst others.

The employee is liable for the tax and the employer is liable to deduct the same from the salary and remit it to the revenue authorities.

Medical fees and contract travel to the employee and his dependent family is exempt from tax.

Benefits such as housing, vehicle use and furniture are not taxed in full. They are taxed based on the value of the perquisite.

Expatriate concessions

There are no special concessions available for expatriates.

Relief for foreign taxes

Tax reliefs are available with countries with whom Botswana has a double taxation agreement.

Deductions against income

Pension contributions to recognised pension schemes, will be allowed as a deduction from the annual salary to the maximum extent of 15% of the salary earned.

Two thirds of the bulk payment received on retirement is taxed in the hands of the recipient.

Dividend income from a resident company is exempt from tax in the hands of the recipient.

What taxes?

Capital gains tax

There are capital gains tax in Botswana, as shown:

| | |
|-------------------|--|
| 0-18,000 | 0 |
| 18,001 – 72,000 | 0 + 5% of excess over 18,000 |
| 72,001 – 108,000 | P2,700 + 12.5% of excess over P72,000 |
| 108,001 – 144,000 | P72,000 + 18.75% of excess over P108,000 |
| Over 144,001 | P13,950 + 25% of excess over P144,000 |

Sale of all capital assets such as buildings, shares (other than shares of a listed company held for less than a year) will be subject to capital gains tax.

Capital gains are paid on capital assets in Botswana sold in Botswana.

Inheritance, estate and gift taxes

There are inheritance or capital transfer taxes in Botswana.

| | |
|----------------|----|
| First P100 000 | 2% |
| Next P200 000 | 3% |
| Next P200 000 | 4% |
| Balance | 5% |

Assets in Botswana that are inherited from the estate of the deceased person are liable for taxation in Botswana.

Investment income

Investments income is taxed in Botswana:

- dividends: a final tax of 7.5%
- for interest earned over P7,800, a withholding tax of 10%.

Withholding tax deducted on interest received from banks and financial institutions will be the final tax. Withholding tax deducted on interest received from another source can be claimed against the final tax due by the taxpayer.

Dividend and interest are considered as investment income. Profit on the sale of investment will be treated as a capital profit and charged capital gains tax.

Local taxes

There are no local taxes in Botswana.

Real estate tax

There is no real estate tax in Botswana.

Social security taxes

There are no social security taxes in Botswana.

Stock options

Stock options will be treated as part of the employees salary. There are no special provisions for tax.

Wealth tax

There is no wealth tax in Botswana.

Other specific taxes

None.

Tax planning opportunities

Tax planning measures normally include consideration of the nature of employment, the expatriate's status, benefits and remuneration from their employer in Botswana and their country of origin.

For further information on expatriate tax services in Botswana please contact:

Rajesh Narasimhan

E rajesh.narasimhan@bw.gt.com



Grant Thornton

An instinct for growth™

Canada (non-Québec)

Expatriates taking up employment in Canada will be subject to comprehensive tax rules and, in some cases, visa requirements. Expatriates leaving Canada to take up employment in a foreign country will also be subject to comprehensive tax rules. The Grant Thornton LLP in Canada expatriate tax team can help expatriates and their employers in dealing with the Canadian tax and other requirements, including tax withholdings, employment visa requirements and departure tax rules.

In particular, Grant Thornton LLP can assist expatriates and their employers in identifying Canadian tax planning opportunities, review tax equalisation policies and provide compliance services regarding the many Canadian filing requirements.

Facts and figures

Pre arrival procedures

Not applicable.

Employment visas

A work permit is needed for most temporary jobs in Canada, although a number of job categories are exempt from this requirement. However, if you are from a country that requires a visa to visit Canada, you must apply for temporary resident visa.

Tax year

Calendar year.

Tax returns and compliance

There are two filing deadlines:

- 30 April for most individuals
- 15 June for individuals and their spouse, where at least one of them earns unincorporated business income.

No extension of time to file is allowed and taxes are due, in full, by 30 April. Late filing penalties and interests apply and are based only on unpaid taxes.



Income tax rates

There are two levels of taxation: federal and provincial. The rates are graduated based on income and vary depending on which province or territory the individual was resident in on 31 December of a particular year.

For the 2013 tax year, the federal rates are the following:

Federal rates

| Taxable Income (C\$) | Rate (%) | Cumulative tax |
|----------------------|----------|----------------|
| 0 – 43,561 | 15 | 6,534 |
| 43,562 – 87,123 | 22 | 16,118 |
| 87,124 – 135,054 | 26 | 28,580 |
| over 135,054 | 29 | – |

The following table outlines the top 2013 combined tax rates (federal plus provincial) by province for regular income (different rates apply to capital gains and Canadian source dividends).

| Province/Territory | Rate (%) |
|---------------------------|----------|
| British Columbia | 43.70% |
| Alberta | 39.00% |
| Saskatchewan | 44.00% |
| Manitoba | 46.40% |
| Ontario | 49.53% |
| Quebec | 49.97% |
| New Brunswick | 45.07% |
| Prince Edward Island | 47.37% |
| Nova Scotia | 50.00% |
| Newfoundland and Labrador | 42.30% |
| Northwest Territories | 43.05% |
| Yukon | 42.40% |
| Nunavut | 40.50% |

Sample income tax calculation

| Federal tax | Cumulative tax |
|--|----------------------|
| Base salary | 80,000 |
| Bonus | 20,000 |
| Cost of living allowance | 15,000 |
| Bank interest | 5,000 |
| Total income | 120,000 |
| RRSP ¹ | (22,000) |
| Taxable income | 98,000 |
| Federal income tax | 18,946 |
| Less: Non refundable tax credits (NRTC): | |
| Personal | 11,038 |
| Spousal ² | 11,038 |
| CPP | 2,356 |
| EI | 891 |
| Canada employment amount | 1,117 |
| Total NRTC | 26,440 x 15% (3,966) |
| Federal income tax | 14,980 |

1 Taxpayers need earned income from the prior year to make a Registered Retirement Savings Plan (RRSP) contribution – therefore, newcomers to Canada may have to wait one year to accumulate RRSP contribution room.

2 Full spousal credit assumes spouse has zero net income. Otherwise, credit is reduced for each dollar of the spouse's net income.

Provincial tax

The following table outlines the combined federal and provincial tax by province for an individual with \$98,000 taxable income (assuming the same fact situation noted above – i.e., married employee, spouse has no income). Provincial tax includes all applicable surtaxes. Ontario tax includes the Ontario Health Premium Tax.

| | |
|---------------------------|----------|
| British Columbia | \$21,251 |
| Alberta | \$20,937 |
| Saskatchewan | \$23,152 |
| Manitoba | \$26,042 |
| Ontario | \$23,275 |
| Quebec | \$27,106 |
| New Brunswick | \$24,851 |
| Prince Edward Island | \$26,496 |
| Nova Scotia | \$26,741 |
| Newfoundland and Labrador | \$24,421 |
| Northwest Territories | \$20,298 |
| Yukon | \$21,679 |
| Nunavut | \$18,556 |

Basis of taxation

Charge to tax

The taxation of individuals is determined by their residency status. A resident of Canada is taxed on their worldwide income for the period of residency.

A non-resident is taxed on Canadian source income only. Canadian source employment income is taxed at graduated rates similar to a resident. Income from a business operated in Canada and income from the disposition of a Canadian taxable property are also subject to tax at graduated rates.

Passive source income, like interest, dividends, pensions and rental real estate income earned by non-residents, is subject to a non-resident withholding tax at source. The basic rate is 25% and can be reduced if a tax treaty exists with the country of residence. Canadian source interest income earned by arm's length non-residents is not subject to withholding tax at source (with certain exceptions).

Some elections are available for Canadian source rental income earned by non-residents to be taxed at graduated rates instead of being subject to the withholding tax.

Residence

The Canadian income tax act does not contain a formal definition of residence. Each case must be determined on its own facts and circumstances. The Canada Revenue Agency (CRA) looks at a number of factors in making a determination. These factors include the acquisition of a dwelling place, moving one's family and establishing social and economical ties (e.g., acquiring provincial health coverage, a driver's licence, opening bank accounts etc.).

Residence can also be established if an individual 'sojourns' in Canada for more than 183 days in a particular calendar year. The expatriate would then be deemed to be a Canadian resident for the entire calendar year and as such, is taxable on worldwide income for the entire year. It is possible, however, that a treaty 'tie-breaker' rule may override this provision if the expatriate has closer connections to another country.

Income from employment

Income from an office or employment includes all amounts received as salary, wages, commissions, director's fees, bonuses, honoraria and taxable benefits. In addition to amounts received while an employee, amounts received in contemplation or on termination of employment are also taxed as employment income. Canadian federal and provincial tax withholdings are required on all wages earned in Canada.

Unless a tax treaty applies, income from an office or employment earned by an expatriate in Canada is taxable. In addition to income tax withholdings, social security contributions are also required unless a social security agreement exists.

For the 2013 calendar year, every individual is entitled to a federal personal amount of \$11,038 which will not be subject to tax. Each of the provinces also has a personal amount which is generally not the same as the federal personal amount (it varies from a low of \$7,708 in Prince Edward Island to a high of \$17,593 in Alberta).

Personal amounts are generally pro-rated for a part-year of residency based on the number of days the employee was resident in Canada for the year.

Source of employment

All income earned from employment in Canada is taxed based on the employee's province of residence on 31 December of the year, regardless of where in Canada the income was earned. As such, it may be prudent to ensure that all pre-assignment remuneration is received prior to commencing Canadian residency.

Benefits (in kind)

Many benefits are subject to tax and many exceptions exist. Generally, any benefit that relates to personal living expenses or that is disguised as additional remuneration is taxable.

In some cases, board and lodging allowances can be received tax free by a Canadian resident assigned to a special work site.

Expatriate concessions

A federal Overseas employment tax credit (OETC) is available to Canadian residents if they meet specific requirements. In particular, the individual must be working abroad for six consecutive months or longer in connection with a resource, construction, installation, agricultural or engineering project. For 2013, the credit exempts the tax on the first \$60,000 of employment income. However the credit is in the process of being phased out and will be completely eliminated by 2016.

Relief for foreign taxes

A foreign tax credit is available for foreign taxes paid by a Canadian resident on income not subject to the OETC.

The foreign tax credit is first applied against federal income tax. Any unused amount is then applied against provincial income tax.

Deductions against income

There are no standard deductions against employment income (although all employees are entitled to claim the Canada Employment Credit, which has a maximum value of \$1,117 for 2013). A credit is not the same as a deduction. A tax deduction reduces taxable income, with the actual amount of tax saved based on the individual's marginal rate of tax. A tax credit is a deduction from tax owing. Provided the credit can be used, each taxpayer receives the same tax relief with a tax credit regardless of his or her tax bracket.

Few employment deductions are allowed, although certain employees can claim business related car expenses and/or home office expenses. Trade union dues and professional membership dues are other deductions that may be claimed.

Deductions for contributions made to a Registered Pension Plan or a RRSP are allowed within defined limits.

Contributions made to a RRSP may be made in the calendar year or within 60 days after the end of the year. The annual deduction is limited to the lesser of: 18% of the employee's earned income for the prior year or the RRSP limit for the year. For the 2013 calendar year, the limit is \$23,820. Earned income generally includes income from employment, business income and rental income less certain employment deductions, business losses and rental losses.

Employee contributions to a foreign pension plan are not deductible. Some exceptions exist for contributions to specific US pension plans.

Amounts are deducted from gross income to arrive at taxable income. The taxable income for all of the provinces (except for Quebec) is based on federal taxable income. The provinces vary, however, in the amounts allowed for the various tax credits (which, as noted above, are a deduction from tax owing).

The federal and provincial governments each provide personal exemptions and tax credits. Federally, the credit is 15% of specified personal amounts. The provincial percentages and personal amounts vary.

Selected federal personal amounts for 2013 are as follows:

| | Federal C\$ |
|---|-------------|
| Basic personal amount | 11,038 |
| Spousal/common law partner | 11,038 |
| Amount for eligible dependants | 11,038 |
| Income threshold for spouses or eligible dependants | All income |
| Pension income amount | 2,000 |
| Age 65 and over amount | 6,854 |
| Income threshold | 34,562 |
| Disability amount | 7,697 |
| Amount for dependant child under 18 years old | 2,234 |
| Amount for dependent child over 18 years old and infirm | 6,530 |
| Income threshold | 6,548 |
| Adoption amount (maximum per child) | 11,669 |

What taxes?

Capital gains tax

Half of the net capital gains (taxable capital gains) on the disposition of capital property are included in the calculation of taxable income. Allowable capital losses (half of the capital loss) can only be applied against taxable capital gains and cannot be deducted against any other source of income in the current year. Any allowable capital losses that cannot be claimed in the current year to offset taxable capital gains can be carried back three years and forward indefinitely to be applied against taxable capital gains arising in those years, if any.

Capital gains arising from the disposition of an individual's principal residence are not subject to capital gains tax. A principal residence can be located outside Canada. Families, however, can only designate one property by calendar year as their principal residence.

Capital gains arising from the disposition of qualified Canadian small business corporation shares, as well as dispositions of qualified farming and fishing property, can benefit from a lifetime maximum capital gains exemption of \$750,000 (\$800,00 beginning in 2014 and indexed to inflation thereafter).

The following table outlines the top 2013 combined tax rates (federal plus provincial) by province for capital gains.

| | |
|---------------------------|--------|
| British Columbia | 21.85% |
| Alberta | 19.50% |
| Saskatchewan | 22.00% |
| Manitoba | 23.20% |
| Ontario | 24.77% |
| Quebec | 24.99% |
| New Brunswick | 22.54% |
| Prince Edward Island | 23.69% |
| Nova Scotia | 25.00% |
| Newfoundland and Labrador | 21.15% |
| Northwest Territories | 21.53% |
| Yukon | 21.20% |
| Nunavut | 20.25% |

Inheritance, estate and gift taxes

There are no inheritance, estate and gift taxes in Canada. However, at the time of death, there is a deemed disposition at fair market value of all assets owned by the deceased, which generally gives rise to additional income tax. Certain tax-free rollovers are available (e.g. to a surviving spouse or common-law partner).

Investment income

Dividends and interest are taxable when received.

Compound interest bearing securities are subject to accrual requirements, generally on an annual basis. Dividends from taxable Canadian corporations are taxed at a reduced rate through a gross up and tax credit mechanism. Two different tax rates can apply to Canadian source dividends (eligible dividends and regular dividends). Eligible dividends are taxed at a lower rate, but must be designated as such. In general, eligible dividends are paid out of corporate income that has been taxed at the general corporate rate of tax (not subject to any special tax reductions).

Income from a trust, royalties and similar income is taxed as received or allocated, depending on the circumstances.

Local taxes

A few of the provinces assess additional taxes. The most common ones are for health care and worker's compensation programs. Both Ontario and Quebec assess an additional health premium on some individuals when they file their personal income tax returns.

Real estate tax

There are no real estate taxes in Canada as part of the income tax system. However, local jurisdictions (municipalities) assess a local property tax on most real estate. Most of the provinces also have land transfer taxes which apply on the conveyance of real property from one person to another. The tax is paid by the purchaser.

Social security taxes

Employment insurance

Individuals employed in Canada are required to contribute to the Canada Employment Insurance Fund (EI). The maximum annual premium for 2013 is \$C891.12 based on a contribution rate of 1.88 on maximum insurable earnings of \$C47,400. The employer is required to pay a premium equal to 1.4 times the employee premium. The employer's maximum annual premium for 2013 is \$C1,247.57. The employee premium is partially credited against federal income tax. EI contributions are not eligible for exemption under a social security agreement.

Canada Pension Plan (CPP)

Individuals employed in all provinces except for Quebec are subject to Canada Pension Plan (CPP) contributions.

The maximum annual contribution for 2013 is \$C2,356.20 based on a contribution of 4.95% on maximum contributory earnings of \$C47,600 (maximum pensionable earnings of \$C51,100 less the basic exemption amount of \$C3,500). The employer is required to match the contribution. The employee contribution is partially credited against federal income taxes. An expatriate may qualify for exemption from CPP if he or she is subject to a social security tax in the home country with which Canada has a social security agreement.

Individuals employed in the province of Quebec are subject to Quebec Pension Plan (QPP) contributions. The rules for QPP contributions are similar to the above for CPP contributions.

Stock options

Canada taxes stock options in two possible ways depending on whether the employer is a Canadian controlled private corporation (CCPC) or not. In general, stock option benefits from a non-CCPC are taxable when the option is exercised. There are no exceptions for foreign plans or options granted prior to becoming a resident. The taxable event for CCPC options may be deferred until the shares are sold.

Options granted while resident but exercised after emigration will continue to be taxable in Canada. The benefit is equal to the difference between the fair market value of the stock, on the date of exercise, and the option exercise price. A tax deduction for 50% of the resulting employment benefit can be claimed on the employee's tax return provided the option meets certain criteria.

Wealth tax

There are no wealth taxes in Canada.

Other specific taxes

When individuals leave Canada, they are deemed to have disposed of all their capital property, with limited exceptions, at fair market value. Half of any resultant gain, if any, would be brought into taxable income. Canadian real property, assets used in a business, certain pensions and stock options are excluded from the departure rules, as they remain subject to Canadian tax upon disposition by a non-resident of Canada. The departure tax can be deferred by posting acceptable security with the Canada Revenue Agency. Security is not required on the first \$C100,000 of capital gains. The deferred tax is due when the assets are finally sold.

Tax planning opportunities

For some wealthy short term immigrants (less than 60 months of residence), pre-immigration planning may be considered.

There are also tax planning opportunities for certain stock options and retirement plans.

Depending on the individual's personal situation, other planning may be possible prior to becoming resident or ceasing residence in Canada.

For further information on expatriate tax services in Canada, please contact:

Ray Kinoshita

E rkinoshita@grantthornton.ca

Canada (Québec)

Expatriates taking up employment in the province of Quebec will be subject to comprehensive rules and in some cases visa requirements. Expatriates leaving the province of Quebec to take up employment in a foreign country will also be subject to comprehensive rules. Raymond Chabot Grant Thornton's Expatriate tax team can help expatriates and their employers in dealing with the Canadian and Quebec tax, including withholdings, employment visa requirements and departure tax rules.

In particular, Raymond Chabot Grant Thornton can assist expatriates and their employers in identifying Canadian and Quebec tax planning opportunities, review tax equalisation policies and provide compliance services regarding the many Canadian and Quebec tax filing requirements.

Facts and figures

Pre arrival procedures

There are no pre arrival procedures in Canada – province of Quebec.

Employment visas

Most temporary employment does not require an employment visa.

Tax year

Calendar year.

Tax returns and compliance

There are two filing deadlines:

- April 30 for most individuals
- June 15 for individuals and their spouse, earning unincorporated business income.

No extension of time to file is allowed and taxes are due, in full, by 30 April. Late filing penalties and interests apply and are based only on unpaid taxes.



Income tax rates

There are two levels of taxation: federal and provincial. The rates vary depending on which province or territory the individual was resident in on 31 December of a particular year.

The highest combined rate of tax is 49.97% in the province of Quebec.

For the 2013 the rates are the following:

Federal rates

| Taxable income (C\$) | Rate (%) | Cumulative tax |
|----------------------|----------|----------------|
| 0 – 43,561 | 15 | 6,534 |
| 43,561- 87,123 | 22 | 16,118 |
| 87,123 – 135,054 | 26 | 28,580 |
| Over 135,054 | 29 | |

Quebec rates

| Taxable income (C\$) | Rate (%) | Cumulative tax |
|----------------------|----------|----------------|
| 0 – 41,095 | 16 | 6,575 |
| 41,095 – 82,190 | 20 | 14,794 |
| 82,190 – 100,000 | 24 | 19,069 |
| Over 100,000 | 25.75 | |

Sample income tax calculation

| Federal tax | | C\$ |
|--|--------------|----------------|
| Base salary | | 80,000 |
| Bonus | | 20,000 |
| Cost of living allowance | | 15,000 |
| Bank interest | | 5,000 |
| Total income | | 120,000 |
| RRSP* | | (23,280) |
| Taxable income | | 97,550 |
| Federal income tax | | 18,829 |
| Less: Non refundable tax credits (NRTC) | | |
| Personal | 11,038 | |
| Spousal | 11,038 | |
| QPP | 2,428 | |
| EI | 720 | |
| QPIP | 377 | |
| Canada employment amount | 1117 | |
| Total NRTC | 26,718*15% | (4,008) |
| Basic federal tax | | 14,821 |
| Quebec abatement | 16.5%*14,821 | (2,445) |
| Federal income tax | | 12,376 |
| Quebec tax | | |
| Adjustment to federal taxable income: | | |
| Deduction for workers | | (1,045) |
| Quebec taxable income | | 96,450 |
| Quebec income tax | | 18,216 |
| Less: Non refundable tax credits | | |
| Basic amount | 11,195 | |
| Amount transferred by spouse | 11,195 | |
| Total NRTC | 22,390*20% | (4,478) |
| Quebec income tax | | 13,738 |
| Health contribution | | 200 |
| Total Quebec income tax | | 13,938 |
| Total tax liability | | 26,314 |

* private retirement savings plans are known as Registered Retirement Savings Plans (RRSP)

Basis of taxation

Charge to tax

The taxation of individuals is determined by their residency status. A resident of Canada is taxed on their worldwide income for the period of residency.

A non-resident is only taxed on Canadian source income only. Canadian source employment income is taxed at graduated rates similar to a resident. Income from a business operated in Canada and income from the disposition of a Canadian taxable property is also subject to graduated rates.

Passive source income, like interests, dividends, pensions and rental real estate income earned by non-residents, is subject to a non-resident withholding tax at source. The basic rate is 25% and can be reduced if a tax treaty exists with the country of residence.

Some elections are available for Canadian source rental income earned by non-residents to be taxed at graduated rates instead of being subject to the withholding tax.

Residence

The Canadian Income Tax Act (the Act) does not contain a formal definition of residence. Each case must be determined on its own facts and circumstances. The Canada Revenue Agency (CRA) looks at a number of factors in making a determination. These factors include the acquisition of a dwelling place, moving one's family and establishing social and economic ties (i.e., acquiring provincial health coverage, a driver's licence, opening bank accounts etc.)

Residence can also be established if an individual 'sojourns' in Canada for more than 183 days in a particular calendar year. The expatriate would then be deemed to be a Canadian resident for the entire calendar year and as such, is taxable on his/her worldwide income for the entire year. It is possible, however, that a treaty 'tie-breaker' rule may override this provision if the expatriate has closer connections to another country.

The province of Quebec applies similar concepts when making a residency determination. In some cases an expatriate can be a non-resident of Canada but be a resident of Quebec. This will happen when a non-factual resident of Quebec is present in the province on 31 December and has spent more than 183 days in Quebec during the year.

Income from employment

Income from an office or employment includes all amounts received as salary, wages, commissions, director's fees, bonuses, honoraria and taxable benefits. In addition to amounts received while an employee, amounts received in contemplation or on termination of employment are also taxed as employment income. Canadian federal and provincial tax withholdings are required on all wages earned in Canada and Quebec.

Unless a tax treaty applies, income from an office or employment earned by an expatriate in Canada/Quebec is taxable. In addition to income tax withholdings, social security contributions are also required unless a social security agreement exists.

For the 2013 calendar year, income earned under the personal allowance of \$11,038 (\$11,195 in the province of Quebec) will not be subject to tax.

Source of employment

All remuneration received in Canada/Quebec is taxed including items relating to a pre-Canadian period of employment. As such, it may be prudent to ensure that all pre-assignment remuneration is received prior to commencing Canadian residency.

Benefits (in kind)

Many benefits are subject to tax and many exceptions exist. Generally, any benefit that refers to personal living expenses or can be related to 'disguise' additional remuneration is taxable.

In some cases, board and lodging allowances can be received tax free by a Canadian/Quebec resident assigned in a special work site.

Expatriate concessions

A federal Overseas Employment Tax Credit (OETC) is available to Canadian residents if they meet specific requirements. For 2013, the credit exempts the tax on the first \$C60,000 of employment income. This credit will be reduced in 2014 (\$C40,000), in 2015 (\$C20,000) and will be completely phased-out in 2016.

A Foreign Employment Deduction (FED) is available in the province of Quebec if the assigned employee meets specific requirements. If the assignment covers the whole calendar year 2013, then 75% of all income earned from that employment can be deducted. The deduction rate will be reduced in 2014 to 50%, in 2015 to 25% and will be phased-out in 2016.

Specific Quebec provisions apply to certain foreign experts and specialists, although many conditions and obligations apply.

Relief for foreign taxes

A foreign tax credit is granted by both Canada and Quebec for foreign taxes paid by a Canadian/Quebec resident on income not subject to the OETC and FED.

The foreign tax credit is first applied against federal income tax. Any unused amount is then applied against Quebec income tax.

Deductions against income

There are no standard deductions against employment income.

A few employment deductions are allowed, for example: business-related car expenses, trade union dues and professional membership dues.

In Quebec, trade union and professional membership dues are not allowed as a deduction; rather they give rise to a personal tax credit.

Deductions for contributions made to a Registered Pension Plan or a Registered Retirement Savings Plan (RRSP) are allowed within defined limits.

Contributions made to a RRSP may be made in the calendar year or within 60 days after the end of the year. The annual deduction is limited to the lesser of: 18% of the employee's previous earned income (as defined in the Act) or the RRSP limit for the year. For the 2013 calendar year, the limit is \$C23,820.

Employee contributions to a foreign pension plan are not deductible, however, some exceptions exist for contributions to specific US pension plans.

The federal and provincial governments each provide personal exemptions and tax credits. Federally, the credit is 15% of specified personal amounts. The Quebec credit is 20% of specified amounts.

Selected federal and Quebec personal amounts for 2013 are as follow:

| | Federal | Quebec |
|---|------------|--|
| Basic personal amount | 11,038 | 11,195 |
| Spousal/common law partner | 11,038 | N/A |
| Amount transferred from one spouse to the other | N/A | 11,195 |
| Amount for eligible dependants income threshold for spouses or eligible dependents | All income | All income |
| Age 65 and over amount | 6,854 | 2,410 |
| Income threshold | 34,562 | N/A |
| Amount for dependant child under 18 years old | 2,234 | N/A |
| Amount for a child under 18 enrolled in post-secondary studies (1,930 per session maximum 3,860) | N/A | 3,930 |
| Amount for dependant child over 18 years and infirm | 6,530 | N/A |
| Income threshold | 6,548 | N/A |
| Amount for dependant child over 18 years and enrolled in post secondary studies | N/A | 7,240 |
| Amount for other dependants who are 18 or over | N/A | 3,005 |
| Additional amount for a person living alone (single-parent family) | N/A | 1,625 |
| Net family income threshold used to calculate the amount with respect to age, for a person living alone and for retirement income | N/A | 32,480 |
| Amount reduction – child under or over 18 enrolled in post-secondary studies and other dependants | N/A | 80% of the child's or other dependant's income |
| Adoption amount (maximum per child) | 11,669 | 10,000 |

What taxes?

Capital gains tax

Half of the net capital gains (taxable capital gains), on the disposition of capital property, are included in the calculation of taxable income. Allowable capital losses (half of the net loss) can only be applied against capital gains and cannot be deducted against any other source of income in the current year. The denied losses can be carried back three years and forward indefinitely to be applied against net capital gains arising in those years, if any.

For 2013, the maximum combined Federal/Quebec effective capital gain rate is 24.985%.

Capital gains arising from the disposition of an individual's principal residence are not subject to capital tax. A principal residence can be located outside Canada. Families, however, can only designate one property by calendar year, as their principal residence.

Capital gains arising for the disposition of Canadian Private Controlled Corporations (CPCC) can benefit from a maximum exclusion of \$C750,000. This maximum amount will be increased in 2014 to \$C800,000.

Inheritance, estate and gift taxes

There are no inheritance, estate and gift taxes in Canada. However a deemed disposition of all assets owned by the deceased, at fair market value, occurs at the time of death. Tax free rollovers are available.

Investment income

Dividends and interests are taxable when received. Compound interest securities are subject to accrual requirements, generally on an annual basis.

Dividends from taxable Canadian corporations are taxed at a reduced rate through a gross up and tax credit mechanism.

Income from a trust, royalties and similar income is taxed as received or allocated, depending on the circumstances.

Local taxes

The province of Quebec charges additional employee's employer contributions. The most common ones are for health care and worker's compensation programs. The employee's contributions are collected through payroll withholdings.

An additional health premium is also charged on some individuals when they file their Quebec income tax return.

Since 2010, a mandatory additional contribution to the health fund is required. The 2013 contribution is progressive and calculated as follows:

| Taxable income | Calculation | Contribution |
|-------------------|---|-------------------|
| 0 – 18,000 | N/A | \$0 |
| 18,000 – 20,000 | 5% of the amount over \$18,000 | \$0.01 – \$100 |
| 20,000 – 40,000 | Fixed amount | \$100 |
| 40,000 – 42,000 | \$100 + 5% of the amount over \$40,000 | \$100.01 – \$200 |
| 42,000 – 130,000 | Fixed amount | \$200 |
| 130,000 – 150,000 | \$200 + 5% of the amount over \$130,000 | \$200.01 – \$1000 |
| Over 150,000 | Fixed amount | \$1,000 |

This contribution is payable by individuals over 18 years old and some exemption rules, related to the payment of the public prescription drug insurance plan may apply.

Real estate tax

There are no real estate taxes in Canada or in the province of Quebec

Social security taxes

Employment insurance

Individuals employed in Canada and in Quebec are required to contribute to the Canada Employment Insurance fund (EI). For 2013, the maximum annual premium is \$C720.48 based on a contribution rate of 1.52% on maximum insurable earnings of \$C47,400. The employer is required to pay a premium equal to 1.4 times the employee contributions. The employer's maximum annual premium is \$C1,008.67. The employee premium is partially creditable against federal income tax. EI contributions are not eligible for exemption under a social security agreement.

Quebec Pension Plan (QPP)

Individuals employed in the province of Quebec are not subject to the Canada pension plan contributions, but rather subject to the QPP. The maximum annual contribution is \$C2,427.60 based on a contribution of 5.10% on the maximum contributory earnings of \$C47,600 (maximum pensionable earnings of \$C51,100 less the basic exemption amount of \$C3,500). The employer is also required to match the contribution. The employee contribution is partially credited against federal income taxes. An expatriate may qualify for exemption from the QPP if he is subject to a social security tax in the home country with which Quebec has a social security agreement.

Quebec Parental Insurance Plan (QPIP)

Individuals employed in Quebec are required to contribute to the QPIP. The maximum annual premium is \$C377.33 based on a contribution rate of 0.559% on the maximum insurable earnings of \$C67,500. The employer is required to pay a premium equal to 0.782% on the same amount of insurable earnings. The employer's maximum annual premium is \$C527.85. The employee premium is partially creditable against federal income tax.

Stock options

Canada taxes stock options in two possible ways depending on whether the employer is a Canadian Controlled Private Corporation (CCPC) or not. In general, stock option benefits from a non-CCPC are taxable when the option is exercised. There are no exceptions for foreign plans or options granted prior to becoming a resident.

Options granted while resident but exercised after emigration will continue to be taxable in Canada and Quebec. The benefit is equal to the difference between the fair market value of the stock, on the date of exercise, and the option exercise price. A deduction for half of the benefit is permitted, in the federal return, in calculating the taxable income if the option meets certain criteria. The deduction is limited to 25% of the benefit for Quebec's tax purposes.

The taxable event for CCPC options may be deferred until the shares are sold. Non CCPC options, exercised after 27 February 2000, may also qualify for deferral of the taxable event until the shares are sold. The amount eligible for deferral is limited to an annual vesting amount of \$C100,000.

Wealth tax

There are no wealth taxes in Canada or in the province of Quebec.

Other specific taxes

When individuals leave Canada, they are deemed to have disposed of all their capital property, with limited exceptions, at fair market value. Half of the resultant gain, if any, will be brought into taxable income. Canadian real property, assets used in a business, certain pensions and stock options are excluded from the departure rules, as they remain subject to Canadian tax upon disposition. The departure tax can be deferred by posting adequate security acceptable by the Canada Revenue Agency and Revenue Quebec. Security is not required on the first \$C100,000 of capital gains. The deferred tax is due when the assets are sold.

The province of Quebec applies the same rules as the federal ones.

Tax planning opportunities

For some wealthy short term immigrants (less than 60 months of residence), pre-immigration planning may be considered.

Tax planning on stock options can be made.

Depending on the individual's personal situation, planning may be possible. Please contact your RCGT's point of contact.

For further information on expatriate tax services in Canada province of Quebec please contact:

Eric Labelle
E.labelle.eric@rcgt.com

Chile

Every day, more foreigners arrive to work in Chile. They will be subject to comprehensive rules in the area of taxation, social security and immigration. Grant Thornton Chile can help expatriates and their employers in dealing with these rules and can assist in identifying Chilean tax planning opportunities and provide compliance services, as well as social security matters and immigration services.

Grant Thornton Chile's expatriate services team is part of Grant Thornton Chile Tax Services. The team have experience in the field of expatriate taxation, visa processing and in the compliance of the social security rules, giving a tailored approach to each client.

Facts and figures

Pre arrival procedures

Expatriates who wish to work in Chile must have a visa subject to contract, ie a temporary authorisation to reside in the country and work in it. Workers can apply for a permanent residence if they meet certain conditions.

Colombian, Peruvian and Dominican nationals must present a Certificate of Judicial Background to make this request. According to the rules of residence of MERCOSUR (the common market of South America), Argentines, Bolivians, Paraguayans and Uruguayans are entitled to a temporary visa for one year, renewable for the same period regardless of the activity they are in Chile for.

Employment visas

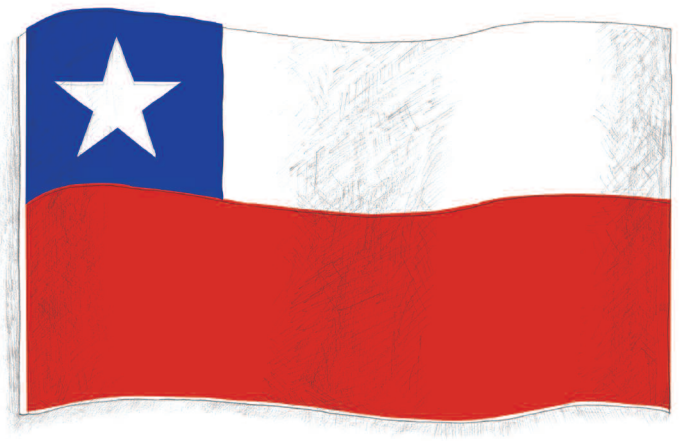
Generally, a visa subject to contract is necessary for the expatriate to live and work in Chile. Foreigners with a visa subject to contract and that have a two-year stay in Chile, may apply for permanent residence.

Tax year

The Chilean tax year runs from 1 January to 31 December.

Tax returns and compliance

The tax year-end is 31 December. The statutory filing deadline is 30 April of the year following the tax year. An extension to this deadline is not possible.



Income tax rates

There is a basic tax free amount of (13.5 Monthly Tax Unit (MTU)) CLP 547,128 per month (USD 1.094). For higher incomes there is a proportionally progressive tax rate reaching 40%. Over a salary of (150 MTU) CLP 6,080,000 per month (USD 12.160 approx.) the taxpayer is subject to a nominal tax rate of 40%.

Sample income tax calculation

| | CLP |
|----------------------|-----------|
| Gross remuneration | 2,500,000 |
| Tax applicable 13.5% | 337,500 |
| Free portion | (181,971) |
| Tax to withhold | 155,529 |
| Effective rate | 6.22% |
| Net remuneration | 2,344,471 |

Basis of taxation

Charge to tax

The taxation of individuals in Chile is based on either residence (tax residency) or on certain types of Chilean income (non-tax residency).

Resident taxpayers

Are taxable on their worldwide income.

Non-resident taxpayers

Are only taxable on specific types of Chilean source income, like dividends, interest, rental and royalty income.

Residence

A resident is defined as a person who either is domiciled in Chile or is physically present in Chile for more than 183 days in a period of 12 months.

Income from employment

Taxable employment income includes any type of remuneration received under an employment contract, including benefits in kind.

Second Category tax (employment tax) burdens employment income, levied on a progressive scale (from 0% to 40%) and withheld and paid by employers on a monthly basis.

Source of employment

In general, the source of employment in Chile is the performance of employment activities in Chile. Any remuneration received in respect of these employment activities is treated as Chilean source income.

Taxation of this income in Chile will depend on the expatriates residency status and relevant Double Taxation Agreement (DTA), if applicable.

Benefits (in kind)

In general, benefits in kind are subject to Chilean income tax.

Expatriate concessions

During the first three years of residence in Chile, foreign nationals resident or domiciled in the country are not subject to taxes in Chile over their foreign-source income; only Chilean source income will be taxed in the country, applying resident taxes.

This benefit can be extended for three more years, if required and accepted by the tax authority.

Relief for foreign taxes

Relief for double taxation may apply on the basis of tax treaties and/or the unilateral regulations for such relief.

Deductions against income

In Chile some payments are expressly excluded from the salary concept, not constituting taxable compensation, such as lunch and transportation allowances, per-diem, family allowances granted in accordance to the law, severance payment legally established and others that may proceed upon employment termination and in general, expenses reimbursement incurred in employment duties. These concepts must be provided within a reasonable amount given its purpose, and may be deemed as a taxable compensation when exceeding this amount.

Pension scheme contributions borne by the employee are also deductible within certain limits. Also mortgage interest paid by the employee for their residence is tax deductible.

Work – cost regulation

Employers must pay a basic contribution of 0.95% on salaries up to 70.3 Unidad de Fomento (UF) for year 2013, to cover labour accident insurance. Activities considered high risk are assessed at a higher rate up to 3.4%. This is mandatory for Chilean and foreign employees.

Also the employer must co-finance unemployment insurance. This insurance is paid between the employer and the employee at 2.4% and 0.6% respectively of the employees' monthly wage. The maximum monthly wage to be considered for these effects is UF 105.4 for year 2013 (cap is adjusted annually). This contribution is mandatory for Chilean and foreign employees with an employment contract after October 2002, and voluntary for those employed before that date.

What taxes?

Capital gains tax

Capital gains derived from sales of stock and other investments are taxed at a flat rate of 20% and depending on the circumstances at the regular global complementary tax rates.

Capital gains derived from the sale of personal property, including automobiles and household furniture not used in connection with a trade business are exempt from tax. Gains derived from sales of real estate not used in connection with a trade or businesses are also exempt, unless the transactions are considered habitual or the property is held for less than one year before its transfer. Gains derived from transfer of personal property and real estate property used in a trade or businesses are treated as ordinary income and are subject to tax at the regular global complementary tax rates.

Inheritance, estate and gift taxes

Inheritance and gift taxes are a unified tax, assessed in accordance with rates and brackets expressed in ATUs. The rates of this tax vary between 0% and 25%.

Residents are subject to inheritance and gift tax on worldwide assets. Non-residents are subject to inheritance and gift tax on assets located in Chile only. Inheritance tax paid abroad may be credited against Chilean tax.

Investment income

Investment incomes are subject to global complementary tax. Some investment incomes are:

- interest derived from loans
- interest derived from demand deposits or time deposits in cash
- interest derived from bonds, debentures or other debt instruments, unless otherwise provided by international agreements
- rental and royalty income.

Dividends

When shareholders receive dividends from a corporation they are entitled to a credit of a maximum of 20% first category tax. The dividends are then added to other non-salary income and subject to global complementary tax.

Local taxes

Real estate property is subject to taxation at an annual rate depending on the property value ranging from 1.2% to 1.425%. The rate is applied over the government appraisal of property. The transfer of real estate is also subject to tax in Chile.

Social security taxes

Income tax rates 2013

| Taxable income exceeding MTU | Not exceeding MTU | Rate % |
|------------------------------|-------------------|--------|
| 0 | 13.5 | 0 |
| 13.5 | 30 | 4 |
| 30 | 50 | 8 |
| 50 | 70 | 13.5 |
| 70 | 90 | 23 |
| 90 | 120 | 30.4 |
| 120 | 150 | 35.5 |
| 150 | More | 40 |

Contribution to social security system

Flat rate of 10%. A small commission is also payable on pension contributions.

Social security payments are deductible at the time of calculating salary income tax.

Stock options

There are no legal provisions in the Chilean tax law and few Internal Revenue Service (IRS) rulings on the subject of stock options. Therefore, the general rules on employment income or capital gains apply for this matter.

Wealth tax

There is no wealth tax in Chile.

Tax planning opportunities

| Earnings description possible | Planning |
|-------------------------------|----------|
| Base salary | Y |
| Living allowance and housing | Y |
| Tax benefits | Y |
| Pension fund | Y |
| Social security | Y |

For further information on expatriate tax services in Chile please contact:

Héctor Castillo D.
E hcastillo@gtchile.cl

María Luisa Lindenberg B
E marialuisa.lindenberg@cl.gt.com

Felipe Arias
E felipe.arias@cl.gt.com

China

Expatriates taking up employment in China will be subject to comprehensive rules and employment visa requirements.

In particular, Grant Thornton China can help expatriates and their employers to identify Chinese tax planning opportunities and review tax equalisation policies; as well as providing compliance services regarding Chinese tax filing requirements.

Facts and figures

Pre arrival procedures

Expatriates who require a work visa (a 'Z' visa) must apply for this before taking up employment in China. It is, therefore, important that the expatriate's employment contract and benefit package is structured tax efficiently before the contract is submitted to the immigration authorities.

Employment visas

Expatriates taking up employment in China must apply for an employment visa before starting work. When granting visas, the immigration authorities place a great emphasis on the education level, skills of the employee and the economic benefits to China that will flow from the expatriate's employment.

If the expatriate's spouse and dependent family relocate to China they will require dependent visas. Spouses entering China on dependent visas are not normally allowed to take up employment in China and must apply for a separate employment visa if they wish to work.

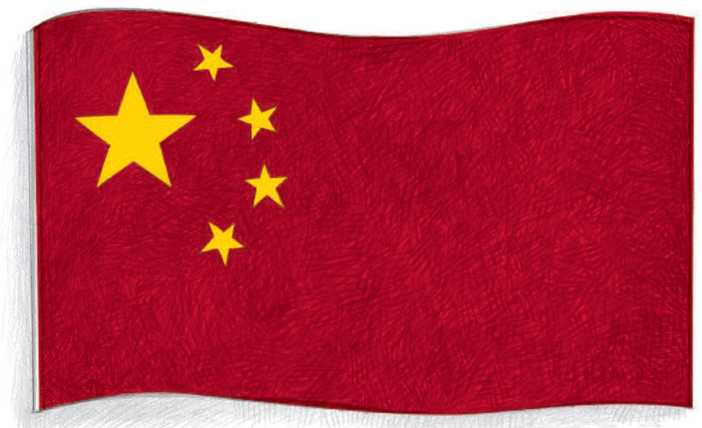
Tax year

The tax year is the calendar year. Individual Income Tax (IIT) is assessed on a monthly basis. In addition, most expatriates should file an annual tax return by 31 March.

Tax returns and compliance

Expatriates should register with the Chinese tax authorities as soon as they become liable to IIT or if they have reason to believe that the duration of their stay in China will render them liable to IIT. An employer is obliged to act as a 'tax withholding agent' and is generally responsible for remitting tax payments to the tax authorities on behalf of the employees within fifteen days after the end of each month.

Tax penalties can be severe in China. An overdue tax surcharge is imposed on a daily basis at the rate of 0.05% of the amount of overdue tax, commencing on the first day the tax payment is in default. Depending on the reason for non-payment or underpayment of taxes, the tax authorities may impose a penalty of between 50% and 500% of the amount of tax unpaid or underpaid. In serious cases, a taxpayer could be prosecuted for criminal liability.



Income tax rates

If the individual is responsible for his/her own IIT then:
 Monthly IIT = taxable income x tax rate – Quick Reckon Deduction (QRD)

| Monthly taxable income after deductions (RMB) | IIT (%) | QRD (RMB) |
|---|---------|-----------|
| 1,500 | 3 | 0 |
| 1,501 – 4,500 | 10 | 105 |
| 4,501 – 9,000 | 20 | 555 |
| 9,001 – 35,000 | 25 | 1,005 |
| 35,001 – 55,000 | 30 | 2,775 |
| 55,001 – 80,000 | 35 | 5,505 |
| Over 80,000 | 45 | 13,505 |

If IIT is borne by the employer then:
 Monthly IIT = $\frac{\text{taxable income} - \text{QRD}}{1 - \text{tax rate}} \times \text{tax rate} - \text{QRD}$

| Tax borne case net income (RMB) | IIT (%) | QRD (RMB) |
|---------------------------------|---------|-----------|
| 1,455 | 3 | 0 |
| 1,456 – 4,155 | 10 | 105 |
| 4,156 – 7,755 | 20 | 555 |
| 7,756 – 27,255 | 25 | 1,005 |
| 27,256 – 41,255 | 30 | 2,775 |
| 41,256 – 57,505 | 35 | 5,505 |
| Over 57,505 | 45 | 13,505 |

Sample income tax calculation

Individual responsible for his/her own IIT with a monthly salary (before tax) of \$10,000
 Exchange rate = 6.40

| | |
|----------------|-------------------------|
| Taxable income | = 10,000 x 6.40 – 4,800 |
| | = 59,200 |
| Tax payable | = 59,200 x 35% – 5,505 |
| | = 15,215 |

IIT is borne by the employer and monthly salary (after tax) is \$10,000
 Exchange rate = 6.40

| | |
|-------------|-----------------------------|
| Net income | = 10,000 x 6.40 |
| | = 64,000 |
| Tax payable | = (64,000 – 4,800 – 13,505) |
| | x 45% – 13,505 |
| | 1 – 45% |
| | = 23,882 |

Basis of taxation

Charge to tax

The key factors for determining whether an individual has to pay IIT in China and the scope of the liability are whether the individual is domiciled in China, the period of the expatriate's stay in China and the source of income.

Residence

The concept of residence is considered in conjunction with the concept of domicile. The tax authorities will look at the domicile of the individual, or if not domiciled in China, the duration of the individual's stay in the country.

The test for domicile is whether the individual usually or habitually resides in China due to household registration, family or economic involvement. Individuals who are domiciled in China are subject to IIT on their worldwide income, as are individuals who have lived continuously in China for more than five years.

Income from employment

Income from employment is subject to IIT. In general, taxable income from employment includes wages and salaries, bonuses, commissions, allowances and subsidies, taxes paid by the employer, stock options and any other income related to the individual's position or employment.

Where a non-mainland-China domiciled individual working in the People's Republic of China (PRC) receives wages and salaries from a foreign employer and the payment is not ultimately borne by an establishment in mainland China, his IIT exposure depends on the length of residence in the PRC in a year as follows:

- not more than 90 days – exempt from IIT
- more than 90 days but less than five years – mainland-China-source income during the period of residence in mainland China is subject to IIT
- over five years – from the 6th year, worldwide income is subject to IIT.

In addition, bilateral tax treaties in some cases provide an additional source of rules for interpreting the term 'residence'. For example, under the China-US double tax treaty, an individual will generally be subject to IIT only if their stay in mainland China is more than 183 days in a calendar year. Where there is a conflict between the IIT law and the term of a treaty, the treaty will prevail over the IIT law.

These rules do not apply to senior management personnel and representatives of representative offices, who are subject to IIT on income derived from, or deemed to be borne by, the Chinese establishment even if their stay in China does not exceed 90/183 days in a calendar year. Besides, there are specific rulings for more complicated cases like two sources of income and concurrent duties within and outside of China.

The interpretation of the regulations and the local practices may vary from location to location.

Source of employment

This is less relevant in determining the IIT charge.

Benefits (in kind)

Certain fringe benefits on a reimbursement basis could be exempt from IIT. These include housing, meal and laundry allowances, relocation, home leave, child's education and language education allowances. Supporting documents such as agreements, contracts or valid commercial invoices should be kept for review by the tax authorities as and when required.

Expatriate concessions

In addition to the fixed monthly deduction of RMB 3,500 for all employment income earners, expatriates are also entitled to an extra monthly deduction of RMB 1,300.

Relief for foreign taxes

A foreign tax credit is available where foreign sourced income is also subject to IIT. Hence, this credit is generally only available to individuals who are domiciled in China, or who have lived in China for more than five years.

Deductions against income

There is a fixed monthly deduction of RMB 3,500 for all employment income earners.

What taxes?

Capital gains tax

There is no capital gains tax in China. Instead, capital gains are subject to IIT as income from transfer of property.

Inheritance, estate and gift taxes

There is no inheritance or gift tax in China.

Investment income

Interest income, dividends and other investment income arising in China is subject to IIT. For individuals who are domiciled in China, or who have lived in China for more than five years, tax is paid on worldwide income.

Local taxes

There are no local taxes imposed on the income of individuals in China.

Real estate tax

In addition to IIT, income from real estate transactions in mainland China may be liable to business tax, urban real estate tax, urban land use tax, land appreciation tax, deed tax and stamp duty.

Social security taxes

The 'China Social Insurance Law' that takes effect from 1 July 2011 provides that foreign workers in China shall participate in China's social insurance filing system. The social insurance contribution is tax deductible.

Currently, the level of enforcement of the implementation varies from location to location.

Stock options

Net gain on the exercise of stock options is subject to IIT as income from employment.

Wealth tax

There is no wealth tax in China.

Other specific taxes

There are no other specific taxes in China.

Tax planning opportunities

Careful planning of the employment arrangement, compensation package, benefits-in-kind, payment terms and travelling schedule may reduce IIT exposure.

These planning opportunities require proper documentation before the individual takes up employment in China and during employment. A prior review of the expatriate's employment contract is recommended.

For further information on expatriate tax services in mainland China, please contact:

Wilfred Chiu
E wilfred.chiu@cn.gt.com

Cyprus

This fact sheet has been designed to provide employers with internationally mobile employees with an overview of the Cyprus tax system and planning opportunities.

Expatriates taking up employment in Cyprus will be subject to the Cyprus taxation system and, based on the actual number of days they will spend in Cyprus, will be treated as Cyprus tax residents or Cyprus tax non-residents.

Grant Thornton's Cyprus tax team can help expatriates and their employers in dealing with the Cyprus tax authorities and other necessary Government departments such as social insurance etc, in order to fulfill their tax and legal obligations. Tax advisory services can also be offered during the negotiations stage, so that both the employer and the employee are informed in advance of the tax and other obligations that they will face in Cyprus.

Facts and figures

Pre arrival procedures

EU nationals have the right to enter Cyprus by simply showing a valid EU passport or ID card without having to register upon arrival. If there is intention to stay for more than three months (and /or take up employment), then they have to:

- apply within eight days of their arrival for an Alien Registration Certificate (ARC), at the local Immigration Branch of the Police (issued automatically for monitoring purposes) and pay the relevant fee
- apply for a social insurance number securing employment in Cyprus
- apply for a residence permit (the application must be submitted to the Civil Registration and Migration Department, through the local Immigration Branch of the Police before the expiration of the three month period).



Application for the issue of entry and work permits of non-EU nationals are submitted to the Civil Registry and Migration Department by the intended employer, through the respective District Aliens and Immigration Branch of the Police, on condition that the foreigners are abroad. The applications should be accompanied by a work contract stamped by the Department of Labour of the Ministry of Labour and Social Insurance. The said Ministry is competent to examine whether, regarding the specific profession or job, there are no available or adequate qualified Cypriots and then to make a recommendation for employment of aliens. The applications are forwarded to the Civil Registry and Migration Department and after they are examined and it is established that there is nothing against the foreigners which prevents their entry into Cyprus, the relevant entry and work permits are issued.

Employment visas

Grant Thornton Cyprus can assist with the paper work and the procedures necessary if such need arises.

Tax returns and compliance

- Salaried individuals must submit their personal income tax return (form IR1) by 30 April of the year following the year of assessment.
- Self employed individuals who will not be filing annual accounts by 31 December must submit their income tax return (form IR1) by 30 June of the year following the year of assessment.
- Self employed individuals who will be filing annual accounts by 31 December must submit their income tax return by 31 December of the year following the year of assessment.

Note: Electronic submission of tax returns is extended for a further three months from the normal submission deadline.

Tax year

The Cyprus tax year runs from 1st January to 31st December

Income tax rates for the year 2013

The taxable income base for taxable year 2013 is as follows:

| Tax Year 2013 | |
|--------------------|-----------------|
| Rate of tax | € |
| 0% | 0 – 19 500 |
| 20% | 19 501 – 28 000 |
| 25% | 28 001 – 36 300 |
| 30% | 36 301 – 60,000 |
| 35% | 60,001 and over |

Sample income tax calculation

| Income tax calculation: | | € |
|--|--|-----------|
| Employment Income | | 30,000 |
| Rental income | | 12,000 |
| Interest income | | 2,000 |
| Dividend Income | | 1,000 |
| Total Income | | 45,000 |
| Less allowances: | | |
| 20% Allowance on gross rents | | (2,400) |
| Interest expense relating to rented property | | (2,000) |
| Wear and tear allowance (3% on initial cost of the building) | | (6,000) |
| Subscriptions to professional bodies | | (100) |
| Donations to approved charities | | (300) |
| Social insurance contributions | | (2,040) |
| Life insurance contributions | | (1,000) |
| | | 31,160 |
| Less exempt income: | | |
| Interest income | | 2,000 |
| Dividend Income | | 1,000 |
| Taxable income | | 28,160 |
| Tax on chargeable income at the rates applicable | | 1,740 |
| Less tax deducted through (PAYE) | | (1,700) |
| Balance payable (refundable) | | 40 |

Basis of taxation

Charge to tax

Individuals who are Cyprus tax residents are subject to tax on their worldwide income, whether remitted to Cyprus or not.

Individuals who are non-residents of Cyprus for tax purposes are subject to tax only on their Cyprus-source income.

Residence

For tax purposes a 'Cyprus tax resident' means: An individual who, in the year of assessment (calendar year), stays in the Republic of Cyprus for a period or periods exceeding in aggregate 183 days.

Days in and out of Cyprus are calculated as follows:

- the day of departure from Cyprus is taken as a day of residence outside Cyprus
- the day of arrival in Cyprus is taken as a day of residence in Cyprus
- arrival in and departure from Cyprus on the same day is taken as a day of residence in Cyprus
- departure from and arrival in Cyprus the same day is taken as a day of residence outside Cyprus.

Income from employment

Employment income includes income arising from an office under a contract of service and the income of office holders, such as directors of companies.

The income from employment is otherwise described as emoluments which includes the following:

- salary
- wages
- overtime
- bonuses
- allowances
- share of profits
- fees (such as directors fees)
- commissions.

Source of employment

As mentioned above, where duties are performed in Cyprus, any remuneration received in respect of such duties is treated as Cyprus sourced income and therefore subject to Cyprus income tax regardless of the expatriate's tax residence status.

Benefits (in kind)

In general where any of the above emoluments is paid in kind (rather than cash) it is taxable under the Cyprus tax laws.

Expatriate concessions

Remuneration of individuals who, before commencing employment in Cyprus, were not Cyprus tax residents, are entitled to an exemption of 20% of their emoluments up to a maximum of €8.550 per annum for the three years commencing on 1 January the year following commencement of employment.

Remuneration of individuals who, before commencing employment in Cyprus, were not Cyprus tax residents and their income for employment is more than €100.000 per annum, are entitled to an exemption of 50% of taxes. The exemption applies for a period of five years commencing on 1 January 2012.

In practice the tax authorities will allow only one out of these two claims.

Relief for foreign taxes

Where income has been subject to tax twice (in Cyprus and a foreign jurisdiction), relief can be granted by the Cyprus Tax Authority provided that enough documents are presented to prove payment of tax abroad.

Deductions against income

Allowable personal deductions are:

- life insurance premiums
- social insurance contributions
- approved provident fund contributions
- approved medical schemes contributions
- subscriptions to professional bodies
- donations to approved charities

What taxes?

Capital gains tax

Both companies and individuals are subject to capital gains tax, at the rate of 20%, on gains arising from the disposal of:

- immovable property situated in Cyprus
- shares in a company which owns immovable property situated in Cyprus (excluding shares listed on any recognised stock exchange).

Inheritance, estate & gift taxes

Estate Duty has been abolished for deaths on or after 1 January 2000.

However, the legal representative of a deceased person is required to submit to the Inland Revenue a statement of assets and liabilities within six months from the date of death. All outstanding tax obligations have to be settled before the estate of the deceased can be distributed to the beneficiaries.

Investment income

Investment income is subject to Special Defence Contribution at the rates indicated below. It should be noted that this legislation applies only to Cyprus tax residents.

| Type of income | Rate% |
|---|-------|
| Interest income of resident individuals from sources within the Republic of Cyprus | 15 |
| Interest income of resident individuals from sources outside the Republic of Cyprus | 15 |
| Interest income of resident individuals from Cyprus | 3 |
| Government development bonds and savings certificates | |
| Rental income of resident individuals (reduced by 25%) | 3 |
| Dividend income of Cyprus tax resident individuals | 20* |

* Applies only for 2012 and 2013. Effective 1/1/2014, the rate will be amended to 17%.

Note: Foreign tax paid can be credited against special defence contribution payable.

Local taxes

Covered in previous sections

Real estate tax

Immovable property tax is levied on properties that are situated in Cyprus based on their estimated values as at 1/1/1980.

The tax bands are as follows:

| Value of property € | Tax rate – per thousand | Tax € |
|---------------------|-------------------------|-------|
| 0 – 120,000 | 0 | 0 |
| 120,001 – 170,000 | 4 | 200 |
| 170,001 – 300,000 | 5 | 650 |
| 300,001 – 500,000 | 6 | 1,200 |
| 500,001 – 800,000 | 7 | 2,100 |
| 800,001 and above | 8 | > |

Social security contributions

| Social insurance contributions | | |
|--------------------------------|-------|--|
| Employer's contribution | 6.8% | Maximum earnings on which contributions are payable: €1,046 per week €4,533 per month €54,396 weekly and monthly employees contribution per annum |
| Self-employed individual | 12.6% | Based on minimum weekly earnings specified for the various professions |

| Other contributions by employer | | |
|---------------------------------|------|--|
| Social cohesion fund | 2% | contributions to social cohesion fund are not restricted to above maximum earnings |
| Redundancy fund | 1.2% | |
| Industrial training fund | 0.5% | |
| Holiday fund | 8% | unless exempt if other acceptable arrangements exist |

Private sector special contribution

This measure applies for the period 1/1/2013 to 31/12/2016 and covers private sector employees, private sector pensioners and self-employed individuals at the following rates:

For the period 2012-2013

| Gross monthly emoluments € | Special contribution rate |
|----------------------------|---------------------------|
| 0 – 2,500 | Nil |
| 2,501 – 3,500 | 2.5% (min €10) |
| 3,501 – 4,500 | 3.0% |
| 4,501 and above | 3.5% |

For the period 2014-2016

| Gross monthly emoluments € | Special contribution rate |
|----------------------------|---------------------------|
| 0 – 1,500 | Nil |
| 1,501 – 2,500 | 2.5% (min €10) |
| 2,501 – 3,500 | 3.0% |
| 3,501 and above | 3.5% |

Special contribution does not apply to the following:

- retirement benefits
- payments from approved 'Provident Funds'
- remuneration of the crew of qualifying Cyprus Ships
- reimbursements.

The employee is liable to 50% of the contributions and the employer is liable to the remaining 50%.

For employees and pensioners, the contribution will be settled through with-holding (PAYE).

Stock options

The value of such a benefit in kind is taxable under income tax.

Wealth tax

Not applicable

Other specific taxes

Not applicable

Tax planning opportunities

Grant Thornton Cyprus can assist you to comply with the provisions of the various legislations in force by declaring all your sources of income and at the same time make sure that you claim all available allowances to minimize your tax liability.

For further information on expatriate tax services in Cyprus please contact:

George Karavis

E george.karavis@cy.gt.com

Czech Republic

This fact sheet provides an overview of the Czech tax system and planning opportunities. Expatriates taking up employment in the Czech Republic will be subject to comprehensive rules and in some cases employment visa requirements. IB Grant Thornton's Expatriate tax team can help expatriates and their employers in dealing with the Czech tax and employment visa requirements, as well Czech labour and social security issues.

In particular IB Grant Thornton can assist expatriates and their employers in identifying Czech tax planning opportunities, reviewing tax equalisation policies and provide compliance services regarding the Czech tax filing requirements.

Facts and figures

Pre arrival procedures

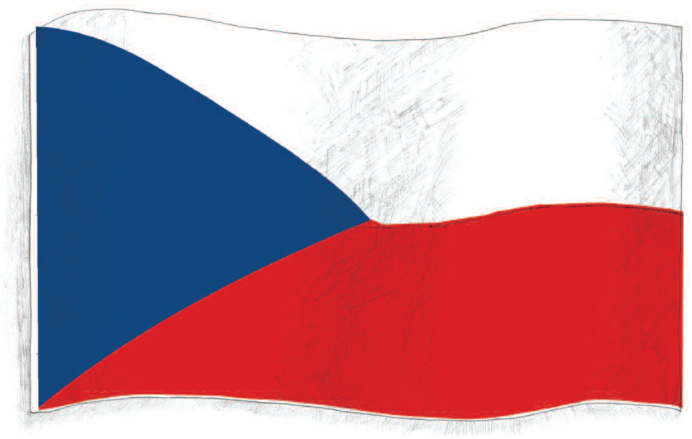
Expatriates from non-EU countries are required to apply for a Work and Residence Permit. For some states (12 countries) Green Cards have been introduced that have a dual character.

No obligations are set for expats from EU member states. Various duties (especially reporting duty) arise to the Czech employer.

Employment visas

A Czech employer may employ non-EU nationals, unless a Czech citizen may be employed in the position concerned, and a non-EU national obtains a Work Permit for the position given, and a Residence Permit.

Grant Thornton Czech Republic can help with arranging the Work and Residence Permit as well as arranging the Green Card.



Tax returns and compliance

The liability to file the tax return depends on the individual circumstances of the expat. Generally, if a tax non-resident has only one income from a Czech employer, the liability to file the tax return does not arise. Natural persons receiving more types of income or Czech tax residents with income from a source abroad are obliged to file a tax return.

There are two tax return filing deadlines; March 31 of the next year for most individuals and June 30 for individuals represented by a tax advisor. Taxes are due, in full, by March 31/June 30.

A penalty may be charged for the late submission of tax return (0.05% from the tax assessed for each day of delay up to the amount of CZK 300,000).

Tax year

The tax year runs from 1 January to 31 December.

Income tax rates

15% (for individuals). Additionally a 7% tax is added to incomes exceeding 48 times the average salary (for year 2013 1,242,432 CZK, 103,536 CZK per month).

Sample income tax calculation

| Sample income tax calculation 2013 | CZK |
|--|------------------|
| Annual gross income | 2,000,000 |
| Benefits-in-kind: | |
| company car for private use* | 120,000 |
| fuel paid by employer | 50,000 |
| accommodation over limit** | 258,000 |
| private (or pension) insurance paid by employer *** | 20,000 |
| other benefits-in-kind | |
| Total taxable income | 2,448,000 |
| Employer mandatory insurance | |
| – Social insurance contribution 25% (max. base of assessment 1,242,342 CZK) | 310,608 |
| – Health insurance contributions 9% | 220,320 |
| Tax base rounded | 2,978,900 |
| Tax 15% | 446,835 |
| Additional tax at 7% (on income exceeding 1,242,342 CZK) | 84,390 |
| The basic tax relief | 24,840 |
| Tax liability | 506,385 |

* Calculated as 1% of the purchase price of the car for each month of private use

** There is a tax exemption to a maximum amount of CZK 3,500 in one month

*** An annual total sum of up to CZK 30,000 is tax exempt

Notice: The tax paid by the employer has to be grossed up

Basis of taxation

Charge to tax

Taxation in the CR of individuals depends upon residence.

Czech tax residents are liable to personal income tax on all sources of income, regardless of where the income is received from.

Non-residents pay tax only on CR sourced income, but they have limited possibility of using tax allowances and tax credits.

The following types of income are liable to personal income tax: Income from dependent activity (employment), income from entrepreneurial activity, income from capital, rental income and other income (such as immovable property sale).

Residence

The Czech tax residence of individuals is determined according to their permanent home or the length of their stay in CR (183 days or more in CR in the relevant calendar year, either continuously or periodically). However, a treaty 'tie-breaker' rule overrides this provision if the individual had closer connections to another country.

Income from employment

All employment-related incomes (wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits, benefits from employees' stock options etc) are taxed in the Czech Republic.

The employer – mandatory health insurance and social security contributions paid are also regarded as employment income subject to tax (they enter a tax base and create the so called super-gross salary).

The Economic employer – an economic employer (or deemed employer) is a Czech employer that has a foreign individual working for it who does not have a Czech employment contract. Such individuals are typically employed by a foreign company. In such cases, the deemed employer is obliged to act as payroll agent and must transfer the appropriate income tax advances to the tax office.

Source of employment

Remuneration for any work performed in the Czech Republic, regardless of who pays it and where or when it is paid, is taxable. In this regard the regulation of the double taxation agreements between Czech Republic and other countries apply accordingly.

Benefits (in kind)

Generally, all remuneration paid to an employee is subject to tax. Certain non-monetary income is exempt from tax in the hands of employees.

Expatriate concessions

There are no specific concessions available to expatriates in this country.

Relief for foreign taxes

Double taxation will be avoided in accordance with the applicable double taxation treaties.

Deductions against income

Costs may be applied especially with income from entrepreneurial activity, rental income and other income.

There are some tax deductible amounts available (if special conditions are fulfilled): humanitarian gifts, interest paid on a credit from a building saving or a mortgage, additional pension insurance or private life insurance paid by individuals etc. Czech non-residents can apply these tax deductible amounts only if their income from sources in the Czech Republic represent at least 90% of their world-wide income in a tax year.

The basic tax credit in the amount of 24,840 CZK per tax payer can be claimed by all persons. Other tax credits are available only for taxpayers who are considered Czech residents, and for Czech tax non-residents whose total income from sources in the CR represented at least 90% of their world-wide income in the tax year.

What Taxes?

Capital gains tax

Capital gains arising from the sale of stocks, bonds or real estate are generally taxed as income for companies and individuals in the Czech Republic. The difference between a higher selling price and a lower purchase price is taxed at the 15% tax rate for individuals and 20% tax rate for corporations.

Gains arising to a foreign shareholder on the sale of a shareholding in a Czech company are regarded as Czech sourced income. However, in many cases a Double Taxation Treaty overrides Czech tax legislation.

A sale of the main private dwelling is tax exempt if held by an individual for at least two years or at least five years if not used as main residence.

Inheritance, estate & gift taxes

The tax residence of surviving relatives is not important for the inheritance tax; citizenship and permanent stay of the testator is important. Inheritance tax is levied on property located on the Czech territory irrespective of the nationality or home address of the testator.

An expat in the position of acquirer is a gift tax payer if he has a permanent stay in the Czech territory and acquires assets in the Czech Republic.

The inheritance tax and gift tax depend on the tax bracket, which is determined by the degree of relationship. No inheritance and gift tax is payable in the first and second bracket. The tax rate in the third bracket is 7% to 40%.

There is a standard 4% real estate transfer tax which must be paid by the seller.

Investment income

Dividends and interest income are taxable, just like ordinary income, when received. Dividends from taxable Czech corporations are taxed at a rate of 15% through a withholding mechanism, unless a lower rate is stated in a double tax treaty. Income from a trust, royalties and similar income are taxed as received or allocated, depending on the circumstances.

The withholding tax rate of 35% is applicable to residents of countries that have not signed any double-tax treaty or a treaty on an exchange of information with the Czech Republic.

If an individual holds the securities longer than six months and other conditions are fulfilled, the gain from the sale of securities is tax free.

Local taxes

There are no other local taxes on income or property, with the exception of real estate tax (see below).

Real estate tax

There are local taxes charged to individuals who own real estate located in the Czech Republic. The tax is assessed on the area of real estate and the rates differ significantly depending on the type of real estate and its physical location within municipalities.

Social security taxes

Expatriates of EU member states should have the A1 or (E101) form to ensure they continue to pay social security contributions in their home countries.

It is decisive for expatriates from non-EU member states whether the Czech Republic has a social security contract concluded with those states, and also the period of secondment.

Social insurance rates include an employer contribution of 25% on behalf of the employee and 6.5% is withheld from the employee's salary.

The maximum basis of assessment for year 2013 is 1,242,432 CZK.

Basic rules for the health insurance are the same as for the social insurance. The maximum basis of assessment is also the same.

Health insurance rates include an employer contribution of 9%, employee 4.5%. There is no maximum basis of assessment for year 2013.

Stock options

Stock option benefits are taxable, in general, when the option is exercised. The benefit is equal to the difference between the fair market value of the stock, on the date of exercise, and the option exercise price.

Wealth tax

Wealth tax is not applicable in the Czech Republic.

Other specific taxes

No other specific taxes would apply to expatriates in addition to those described above.

Tax planning opportunities

Tax planning mainly involves the structuring of employment arrangements to take advantage of the relatively low flat personal tax rate (as compared to other EU member states). IB Grant Thornton's tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in the Czech Republic please contact:

Gabriela Magsumoua
E gabriela.magsumoua@cz.gt.com

Denmark

Expatriates taking up employment in Denmark will be subject to comprehensive rules and, in some cases, employment visa requirements.

The expatriate tax teams at Grant Thornton Denmark can help expatriates and their employers to deal with Danish tax.

In particular, Grant Thornton Denmark, a member firm within Grant Thornton International Ltd, can help expatriates and their employers to identify Danish tax planning opportunities and review tax equalisation policies; as well as providing compliance services regarding Danish tax filing requirements.

Facts and figures

Pre arrival procedures

Visas and work permits are needed for individuals from some countries – see below.

Employment visas

Citizens of a Nordic Country do not need a work permit. They are free to arrive, live and work in Denmark. Citizens from an EU or EEA nation and Switzerland have to apply for a certificate of registration (registreringsbevis) at the Government Administration (Statsforvaltningen). For citizens from remaining countries, a work permit is required.

Tax year

The Danish tax year runs from 1 January until 31 December.

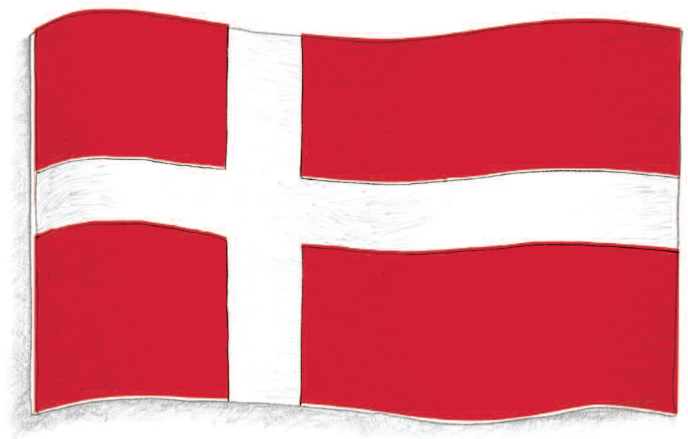
Tax returns and compliance

Tax returns must be filed by 1 May the following year. Any shortfall in paid taxes will be collected in three installments: i.e. September, October and November in the year following the income year. Excess tax is reimbursed at the time of the issuance of the annual tax statement.

If the taxpayer has foreign source income, the tax return has to be filed by 1 July the following year.

Income tax rates

| Taxable income (DKK) | Rate (depends on the local tax rate) |
|----------------------|--|
| 0-42,000 | 0% |
| 42,000-421,000 | 37.46% on average (24.91% municipal tax, 0.72% church tax, 6% health care contribution, 5.83% bottom-bracket tax) |
| Exceeding 421,000 | 52.46% on average (24.91% municipal tax, 0.72% church tax, 6% health care contribution, 5.83% bottom bracket tax, and 15% top bracket tax) |



The tax ceiling is 51.7% (church tax is not covered by the tax ceiling)

Please note that separate rules exist for calculating the basis for taxable income for local tax purposes and state tax purposes – see the sample income tax calculation below. In addition, only members of the Danish Evangelical Lutheran Church pay church tax, and this tax can therefore be avoided by electing not to pay when registering in Denmark. In 2013, the tax free personal allowance (over 18 years) is DKK 42,000. The effect of the tax free personal allowance is that no taxes should be paid of the first DKK 42,000 taxable income on an annual basis.

Sample income tax calculation

(The example is based on a wage earner who is resident in Copenhagen in 2013, not married and not a member of the Danish church. The municipal tax rate in Copenhagen is 23.8%.)

| Income assessment: | DKK |
|---|----------|
| Salary | 600,000 |
| Car benefit (25% of value of DKK 300,000) | 75,000 |
| Wage income | 675,000 |
| Gross tax (AM-bidrag) (8%) | (54,000) |
| Personal income (net) | 621,000 |
| Capital income (interest) | 20,000 |
| Assessment oriented deductions (trade union contribution and unemployment insurance premiums) | (15,000) |
| Employment deduction | (22,300) |
| Taxable income | 603,700 |
| Tax calculation: | DKK |
| Tax to municipality | 133,685 |
| Health care tax | 33,702 |
| Bottom-bracket tax to the state | 34,921 |
| Top-bracket tax to the state | 30,000 |
| Income tax | 232,308 |
| Gross tax (AM-bidrag) | 54,000 |
| Total income tax and gross tax | 286,308 |

Basis of taxation

Charge to tax

An individual Danish resident is liable to pay taxes in Denmark based on his/her worldwide income (full tax liability).

An individual is liable to pay taxes in Denmark when he/she receives payment from a Danish employer in Denmark and does not obtain residence in Denmark (limited tax liability).

Limited tax liability may also arise when a foreign employee carries out paid work in Denmark for a foreign employer. If the conditions in the OECD Model treaty of hiring out of labour are met, a non resident is likely to be taxed in Denmark, despite the treaty exemption.

Residence

An individual will be considered a Danish resident for tax purposes if:

- the individual has a permanent residence in Denmark
- the individual's stay in Denmark exceeds 6 consecutive months or more. However, short stays abroad due to vacation or the like do not interfere with the 6-month rule. Full tax liability arises when the stay commences.

Nonresident individuals are subject to pay national tax, including health care tax and Gross tax (AM-bidrag), and an average municipal tax (currently 24.91%) on Danish sourced income.

Income from employment

In Denmark, the employer is obliged to withhold tax on any salaries, car benefits, bonuses and all other cash payments. Contributions to Danish pension funds are deductible under certain conditions if paid by the employee. If the contributions amount to maximum DKK 50,000 per year (Annuity Pension), there is no limit to contributions to Life Annuity. Pension fund contributions paid directly from the employer are fully deductible (Life Annuity).

Source of employment

Salary paid for services performed in Denmark will usually be regarded as limited tax liable income if performed for a Danish employer. It is where the actual work performed that is important and not the place where the contract has been signed.

Benefits (in kind)

The main rule is that benefits are subject to tax. It is the expatriate who is liable to pay tax on benefits.

Expatriate concessions

Under certain conditions, foreign executives (key employees) working in Denmark for limited periods may qualify for a flat 26% income tax rate on their earnings. This 26% tax scheme is an optional tax that the executive may choose instead of the normal Danish progressive taxation of personal income.

The 26% taxation scheme can be chosen in one or more periods for a total of 60 months. The tax is calculated on the gross salary after Gross tax (8%) (AM-bidrag) have been deducted, which gives a total taxation of 31.92%. No further deductions are granted.

In brief, the conditions are:

- the foreign executive must have a Danish employer (a foreign company's permanent establishment in Denmark is also considered a Danish employer)
- the foreign executive must become fully tax liable to Denmark or limited tax liable at commencement of the employment
- ten years prior to the employment, the foreign executive must not have been subject to full nor limited tax liability to Denmark of cash salary, income from self-employment etc
- five years prior to the employment, the foreign executive must not have had direct or indirect control of or significant influence on the employing company
- the foreign executive's salary amounts to a minimum of DKK 69,300 per month in 2013 (DKK 831,600 in annual pay) after Gross tax (AM-bidrag) and ATP (labour market supplementary pension scheme) contributions. Taxable value of a company car can be included to get to the necessary amount.
- for a foreign executive who has previously been tax liable to Denmark, it is also a condition that he has not previously been employed by the employing company or by any affiliated company of the employing company, including employment in any foreign affiliated company, within a period of three years prior to and one year after discontinuation of his/her tax liability to Denmark.

Relief for foreign taxes

Denmark has signed agreements with a large number of countries to alleviate double taxation of income including remuneration. Some treaties also provide relief for pensions contributions.

Deductions against income

In Denmark, deductions in taxable income are granted if the expenses are held to gain, secure and maintain the income. In addition to this there are special rules regarding a number of deductions. Paid interest is fully deductible in income which is subject to the local taxes, but not in income subject to state tax. The average tax value of the deduction is 32.0% including church tax. In general, expenses related to salary income are only deductible for the amount that exceeds DKK 5,500 in total. Some expenses, i.e. transport, trade union contributions and unemployment insurance premiums are not reduced by the DKK 5,500. Under certain conditions, individuals only limited tax liable to Denmark may be treated as fully tax liable individuals and be granted the same deductions as fully tax liable individuals.

What Taxes?

Capital gains tax

See "Investment income"

Inheritance, estate & gift taxes

Denmark taxes gifts by 15% or 36.25%, subject to a range of exemptions. Inheritance tax is between 15% and 36.25%, depending on the family relationships between the parties.

Gifts below DKK 58,700 between parents and children are tax-free.

Expatriates resident and working in Denmark should seek advice before making any gifts above DKK 58,700.

There are a limited number of agreements for avoiding a double charge to inheritance taxes.

Investment income

Tax on savings and capital gains

Interest, capital gains (excluding dividends and some gains on shares) etc. are taxed precisely as other taxable income. Net negative capital income (i.e. interest to be paid) is only deductible with the average value of approximately 32%.

Tax on dividends and some gains on shares

In 2013 dividends and gains on sale of shares are taxed at 27% as long as the amount is less than DKK 48,300 (96,600 for married couples). For dividends and gains above DKK 48,300/96,600 the rate is 42%.

If the shareholder owns listed shares bought before 1 January 2006, and the total holding of these shares on this date did not exceed a value of DKK 136,600 (273,100 for married couples), any gain will be tax free.

Local taxes

The tax rates are a combination of state taxes and local commune taxes. The local taxes differ a little bit but the average rate in 2013 is 30.9%, including a health care tax.

Real estate tax

Real estate is taxed when used as a residence. The rates are 1% of the value up to DKK 3,040,000 and 3% for values over this amount. The value is based on a public evaluation. The taxation is in some cases reduced by further conditions.

This real estate tax is not included as part of the regular income tax, and therefore this tax cannot be offset by loss in other income but will have to be paid in any case.

Social security taxes

In general, the employer does not contribute to social security directly.

The employee pays 8% of their gross cash salary and business income in AM-bidrag (Gross tax). This tax is deductible in income before community and state taxes are calculated.

In addition to the 8% of the gross salary tax, a small contribution must be made to ATP (labour market supplementary pension scheme – Arbejdsmarkedets Tillægspension). The employee pays a contribution of approx. DKK 90 a month and in addition, the employer pays DKK 180 per month.

Car benefits and the value of free multimedia (telephone, PC and internet access) are subject to social security contribution.

Stock options

Under certain conditions, it is possible to gain an advantage in the form of deferral of the tax charge to the point of exercise. Tax is due at a possible maximum of up to the highest rate of income tax (51.7% + churchtax and Gross tax of 8%).

Wealth tax

There are no wealth taxes in Denmark, except for real estate.

VAT and excise duties

The VAT in Denmark is 25% on almost anything including food. Some of the only things that are exempt from VAT are residential housing, healthcare, airfare and education.

On top of this a lot of goods and services are imposed with excise duties (30+) on for example oil products; coal; electricity; natural gas; water; road tax; alcoholic beverages; soft drinks; tobacco; coffee and tea; insurance etc.

These are all contributing to quite high costs of living in Denmark.

Tax planning opportunities

| Earnings description | Planning possible |
|------------------------------|-------------------|
| Base salary | Y |
| Living allowance and housing | Y |
| Tax benefits | Y |
| Pension fund | Y |
| Social security | Y |

For further information on expatriate tax services in Denmark, please contact:

Ole Skou
E ole.skou@dk.gt.com

France

Expatriates taking up employment in France will be subject to comprehensive rules and in some cases employment visa requirements. GT Société d'Avocats' can help expatriates and their employers in dealing with the French tax and employment visa requirements, as well as with the French labour and social security issues. In particular GT Société d'Avocats can assist expatriates and their employers in identifying French tax planning opportunities, reviewing tax equalisation policies and providing compliance services regarding the French tax filing requirements.

Facts and figures

Pre arrival procedures

The employers of non EU nationals are usually required to apply for a work permit prior to the employee taking up employment in France. It is, therefore, important that the expatriate's employment contract and benefit package is structured tax efficiently before the contract is submitted to the Department of Trade and Employment in France. A posting of the workers declaration must also be sent to the work inspectorate.

Employment visas

Under the work permit procedure the employer will be required to advertise the position in France and the EU before the Department of Trade and Employment will consider issuing a work permit to a non EU national if a suitable candidate cannot be found.

A residence visa must also be obtained for the expatriate to live in France. Where the expatriate's spouse and family relocates to France, relevant visas and a separate work permits (where the spouse will also work) will be required. Where the expatriate is an EU national the above procedure is usually not required.

Tax year

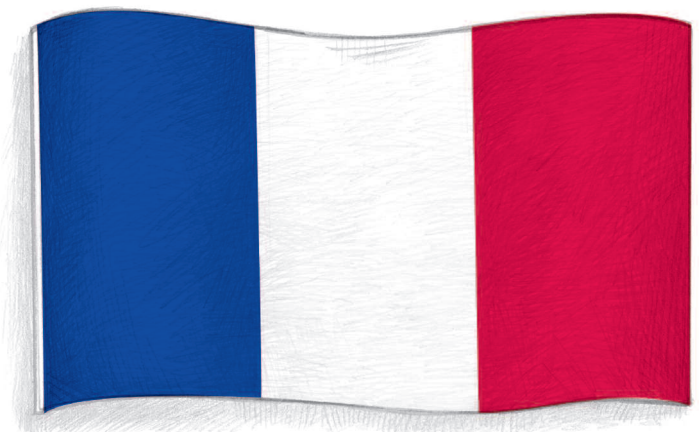
The French tax year runs from 1 January to 31 December.

Tax returns and compliance

Individuals who are a French resident for tax purposes must file their tax return before the end of May. Non French resident for tax purposes must file before mid-June.

Payment of the French tax

The first year of liability, the global amount of the tax due for the last tax year is payable once in September. The following years, the tax is paid by three tax installments based on the tax paid the previous year, the remaining balance being paid in September. The taxpayer is also entitled to pay on a ten month period (from January to October).



Income tax rates

What are the income tax rates in your country? Progressive Income (tax rates for the 2013 income)

(Tax rates for 2014 will be known in December 2014 only)

The taxable income is divided of the tax household in a number of equal parts (eg one part for a single person, two parts for a married couple, 0.5 part for each of the first two dependant children, one part from the third child). Next, the progressive tax scale is applied on the taxable income per part thus obtained. Lastly, the partial tax is multiplied by the number of parts determining the payable gross tax.

| Portion of taxable income for one part (€) | Rate (%) |
|--|----------|
| Up to 6,011 | 0 |
| From 6,011 to 11,991 | 5.5 |
| From 11,991 to 26,631 | 14 |
| From 26,631 to 71,397 | 30 |
| From 71,397 to 151,200 | 41 |
| Above 151,200 | 45 |

| Exceptional contribution on high income (based on the reference tax income) | Single taxpayers (%) | Couples (%) |
|---|----------------------|-------------|
| From €250,001 to €500,000 | 3 | 0 |
| From €500,001 to €1,000,000 | 4 | 3 |
| Above €1,000,000 | 4 | 4 |

Sample income tax calculation

| Employment Income: | € |
|--|---------------|
| Net salary | 60,000 |
| Net car benefit (mileage driven during year) | 5,250 |
| Net car fuel benefit | 2,850 |
| Total earned income | 68,100 |
| Less: | |
| Allowance of 10% for expenses | (6,810) |
| Net taxable salary | 61,290 |
| Personal income | |
| Dividend from French company | 3,000 |
| Less 40% rebate | (1,200) |
| French bank interest | 500 |
| Net taxable income | 63,590 |
| Income tax thereon: 5,980 @ 5.5% | 329 |
| 14,640 @ 14% | 2,049 |
| (remainder) 36,959 @ 30% | 11,087 |
| Total | 13,466 |
| Less: | |
| Allowance of 50% for a servant | (3,500) |
| Residual liability | 9,966 |
| Social contributions | 543 |
| Total | 10,509 |

Basis of taxation

Charge to tax

A charge to French tax is dependent on whether the income arises in France. The extent of the charge will be determined by an individual's tax residency status.

Residence

Taxation of individuals in France is determined by their residency or the source of their earnings.

Persons are resident in France for French tax purposes if:

- they have their home or main abode in France
- they carry on a professional activity in France unless this activity is carried out incidentally
- they have the centre of their economical interests in France.

French residents are taxed on their worldwide income and gains. Non residents are only taxed on their French income and gains.

Income from employment

A French tax charge arises on employment income derived from duties performed in France.

Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc.

Source of employment

As mentioned above, where duties are performed in France, any remuneration received in respect of these duties is treated as French sourced income and, therefore, subject to French income tax regardless of the expatriate's tax residence status (subject to a relevant double taxation treaty).

Benefits (in kind)

In general, where the benefit is enjoyed in France, a French income tax charge will arise. Therefore, housing, meal allowances, provision of a car and relocation allowances will come within the charge to French income tax in addition to the individual's salary.

Expatriate concessions

A tax exemption on the allowances paid to employees seconded to France, workdays spent out of France and 50% of foreign source passive income has been implemented under specific conditions.

Relief for foreign taxes

Where income has been subject to double taxation (in France and a foreign jurisdiction) relief can be granted by the French Revenue Authority, where provided for in the relevant double taxation treaty.

Deductions against income

France grants a wide range of tax deductions. French resident taxpayers are entitled to deduct a 10% personal allowance on salaries and pensions for deemed expenses – capped to €12,097 in 2013. They may also be entitled to the following allowances: child tax credit, education, sitter, alimony, employment of a servant, gifts in favour of specific organisations and interest paid for the acquisition of certain real estate.

Some non resident individuals may also be entitled to allowances to offset against French source taxable income.

What taxes?

Capital gains tax

Tax on capital gains on shares

Capital gains on shares realised as from 1 January 2013 are included in the taxable income and taxed at progressive tax rates however rebates for length of ownership apply. These rebates apply at a 50% rate after the 2nd year of ownership, and 65% after the 8th year of ownership. An incentive regime entitles taxpayers to benefit from better rebates for length of ownership that can apply at a 50% rate after the 1st year, 65% after the 4th year and up to 85% after the 8th year, subject to conditions.

Tax on capital gains on real estate

For calculating the taxable capital gain, a tax allowance per year of ownership is available after the fifth year of ownership, which grants a tax exemption from capital gains after 22 years of ownership and social contributions exemption after 30 years of ownership.

An exemption is available for the main home. A flat tax rate of 19% applies for the capital gains realised on real estate by individuals, resident in France (plus specific social levies), within the EU or in one of the EEA (Liechtenstein excluded) member countries. For other individuals, tax is levied at 33.33% (a 75% rate applies for individuals who are resident in a non-cooperative country or territory).

Since 1 January 2013, a surtax varying between 2% and 6% of the net taxable gain applies if it exceeds €50,000.

Inheritance, estate and gift taxes

A liability to French inheritance and gift tax depends not only on the French tax residence position of the deceased/donor and of the beneficiary, but also on the French location of real estate and assets when the deceased/donor is not resident in France. The rates vary depending on the degree of kinship between the deceased/donor and the beneficiary.

Investment income

The expatriate's French tax residency status will determine whether investment income such as interest, dividends etc, will become liable to French income tax.

Dividends are subject to a mandatory withholding tax (which is not final) at a 21% rate, before being included to the taxable income. A 40% allowance on dividends received is available for French residents for the calculation of the income tax at the progressive income tax rates, plus specific social levies.

Interest is subject to a mandatory tax (which is not final) at a rate of 24%, before being included to the taxable income.

Local taxes

There are local taxes (dwelling tax, tax on built properties or non-built properties) to which an individual is liable in France.

Real estate tax

See 'capital gains tax' above

Social security taxes

Social security as at 1 January 2014
'National insurance contributions'

| Executive (not contracted out) | | |
|--------------------------------|----------|----------|
| Earnings per month € | Employer | Employee |
| Whole amount | 1% | 20.10% |
| 0 – 3,129 | 10.65% | 16.23% |
| 3,129 – 12,516 | 8.65% | 13.98% |
| 0-12,516 | 2.424% | 4.336% |
| Whole amount minus 1.75% | 8% | |

Also:

- non executive
- self employed
- non-employed.

Specific social levies

French residents are also subject to 15.5% social contributions on their investment income (eg property income, capital gains, as well as on their fixed interests securities and dividends) including:

- 8.2% contribution (called CSG)
- 0.5% contribution (called CRDS)
- 5.4%, 0.3% and 1.1% social levies.

Part of the CSG (5.1%) is deductible from the taxable income the year after payment of the contribution. Non-residents are also subject to social contributions at a 15.5% rate on their rental income and real estate capital gains.

Stock options

For stock options and free shares granted before 28 September 2012, part of the advantages of such schemes are taxed as part of employment income at the progressive rates, unless they qualify for specific tax and legal regime providing for:

- a taxation at flat rates of 18%, 30% or 41% of the profit deriving from the exercise of option (difference between price of exercise and market value at the date of exercise)
- a taxation at a flat rate of 30% on the market value of the shares at the time they are freely given for shares incentives plans providing free shares to employees and implemented as from 1 January 2005

For options and free shares granted as from 16 October 2007, an employee special social security contribution applies.

Tax is levied at the time of the sale of shares except the employer special social security contribution, which is levied at the time of the grant of shares.

Capital gains in excess are treated as capital gains on shares.

Stock options and free shares granted as of 28 September 2012 are taxed as part of the taxable income at progressive income tax rates.

Wealth tax

Individuals who become French residents are taxable on their worldwide assets (real estate, shares, bank accounts etc) if the net value of these global assets exceeds €1,300,000 on 1 January 2014.

| Fraction of net taxable value of assets (€) | Rates |
|---|-------|
| up to 800,000 | 0% |
| From 800,000-1,300,000 | 0.5% |
| From 1,300,000-2,570,000 | 0.7% |
| From 2,570,000-5,000,000 | 1% |
| From 5,000,000-10,000,000 | 1.25% |
| Above 10,000,000 | 1.5% |

Other specific taxes

There are no other specific taxes relating to expatriates in France.

Tax planning opportunities

| Earnings description | Planning possible |
|--------------------------|-------------------|
| Base salary | Y |
| Bonus | Y |
| Cost of living allowance | Y |
| Housing | Y |
| Home leave | Y |
| Club membership | N |
| Moving expenses | Y |
| Foreign service premiums | Y |
| Education/schooling | Y |

For further information on expatriate tax services in France, please contact:

Anne Frede
E afrede@avocats-gt.com

Germany

Expatriates taking up employment in Germany will be subject to comprehensive rules and, in some cases, employment visa requirements. The expatriate tax team at Grant Thornton Germany can help expatriates and their employers to deal with German tax and employment visa matters; as well as German labour and social security issues.

In particular, Grant Thornton Germany can help expatriates and their employers to identify German tax planning opportunities and review tax equalisation policies; as well as providing compliance services regarding German tax filing requirements.

Facts and figures

Pre arrival procedures

Non European Union (EU) nationals usually need to apply for a visa at the German embassy or consulate in their home country before travelling to Germany. The documents required can often be found on the homepages of the German embassy or consulate websites.

EU nationals do not need a visa, however, there are transition rules for the new EU members Romania and Bulgaria.

Employment visas

Having arrived in Germany, non EU nationals are required to apply for a work permit at the aliens department of the local municipality. Grant Thornton Germany can help with these legal formalities.

EU nationals do not usually need a --work permit.

Tax year

The German tax year runs from 1 January to 31 December.

Tax returns and compliance

The deadline for tax returns is 31 May, however, this deadline can be extended. Tax returns prepared by professional tax advisors are automatically extended to 31 December.

Income tax rates – 2013

Generally there is a basic tax free amount of €8,130. For higher incomes there is a proportionally progressive tax rate. There is a special tax rate for married persons with a joint assessment.



| Basic tax free amount | | € |
|---------------------------------------|--|---------|
| Basic tax table for unmarried persons | | 8,130 |
| Splitting table for married people | | 16,260* |
| First bracket rate of | | 14% |
| Top rate | | 45%** |
| From a taxable income of | | € |
| Basic tax table for unmarried persons | | 250,731 |
| Splitting table for married people | | 501,462 |

* Additionally a surcharge of 5.5% of income tax is levied

** as from 2007 because of the new 'introduce tax for rich people'

Sample income tax calculation 2013

The employee is not married and has no children. Earnings of dependent employment. Further the employee uses a company car, which can also be used privately.

| Employment income | | € |
|---|--|------------|
| Salary | | 100,000.00 |
| Car benefit (1% list price of car) | | 6,000.00 |
| Total earned income | | 106,000.00 |
| Less | | |
| Blanket deduction for income-related expenses | | 1,000.00 |
| Adjusted gross income = Net taxable income | | 105,000.00 |
| Income tax thereon: | | |
| Income tax | | 35,904.00 |
| Solidarity surcharge | | 1,974.72 |
| Total | | 37,878.00 |
| Residual liability | | 37,878.00 |

Basis of taxation

Charge to tax

German resident individuals are liable to income tax, gift tax, inheritance tax, sales tax and, in certain instances, church taxes. An individual is resident for tax purposes if he or she maintains a domicile or habitual place of abode in Germany.

Residence

Domicile

A domicile is a place where the individual maintains a residence under circumstances, which indicate that he will keep and use it on a more than temporary basis.

Habitual place of abode

The habitual place of abode of an individual will be established if the person is physically present on a long term basis in Germany. Persons are resident in Germany if their stay exceeds 183 days during a year. If the employee has their domicile or habitual place of abode in Germany, then they are fully taxable in Germany. German resident taxpayers are subject to tax on their worldwide income. Double taxation will be avoided in accordance with the applicable tax treaties.

Individual nonresident taxpayers are subject to tax in Germany on their German source income. Nonresidents can apply to be treated as a resident if their German income is at least 90% of their total worldwide income or when the worldwide income, which is not subject to taxation in Germany, is less than €8,130 (adjustments for foreign conditions are necessary for several countries). For spouses of residents living in the EU it is also possible to claim a classification as resident if the joint income contains income which arises almost entirely in Germany.

Income from employment

Salary consists of money and non-monetary remuneration. Most non-monetary remunerations are taxable in Germany. Individual taxpayers are allowed to claim all expenses directly incurred with their incomes from employment. There is a tax free lump sum for employees at an amount of €1,000. Thereafter, various other deductions and allowances apply on taxable income from employment.

Source of employment

Remuneration for any work performed in Germany, regardless of who pays it and where or when it is paid, is taxable. In this regard the regulation of the double taxation agreements between Germany and other countries apply accordingly.

Benefits (in kind)

Most non-monetary remunerations are taxable in Germany (eg a company car).

Expatriate concessions

The German income tax law does not provide for special deductions or tax free expatriate premiums. Lump sums for moving expenses are granted. In addition, daily allowances can be granted for business trips.

Relief for foreign taxes

Double taxation will be avoided in accordance with the applicable double taxation treaties. Double taxation is usually avoided through tax exemption.

Deductions against income

Deductions can include special and extraordinary expenses, which are either claimed in full or up to a certain limit. Special expenses are personal or family expenditures and include:

- employee contributions to the German social security system in a threshold amount
- for taxpayers with German domicile: personal and family allowances which depend on personal circumstances
- church tax
- expenses for professional education
- maintenance payments in the case of divorce
- charitable donations in a threshold amount
- contributions to certain non-profit activities
- 30% of contributions to private schools (only school fees), which are governmental accepted, limitation to a maximum amount of €5000/each child (also schools abroad in EU/EWR– area).

In addition to special expenses, resident taxpayers are entitled to tax relief with respect to extraordinary expenses. Every taxpayer has a personal allowance of €8,130. There are special kinds of allowances for children whose parents are entitled to receive a child allowance or an allowance for dependent children. There is also an old age percentage reduction for employees who are older than 64 years. The maximum percentage is 27.2% depending on the date of commencement. The maximum annual amount is €1,292 (percentage rate and maximum amount to 2013).

What taxes?

Capital gains tax/Investment income

There is a withholding tax of 25% plus a 5.5% solidarity surcharge plus church tax (if applicable) on investment income and capital gains (flat tax). From 2009 onwards the one year holding period for capital gains is no longer applicable. But for shares bought before 31 December 2008 the old rule of the holding period is still valid. If the sale of 'old shares' is done after the one year period the gain is tax free.

Inheritance, estate and gift taxes

A liability to German inheritance and gift tax depends on whether the individual or the deceased or donor maintains a domicile or habitual place of abode in Germany. Furthermore, certain assets located in Germany could be taxable. If the individual and the deceased or donors are close relatives, there are tax free amounts depending on the relationship.

Local taxes

No local taxes apply to individuals in Germany. If an individual owns a house or a flat, he has to pay real property tax.

Real estate tax

Real estate tax is applicable in Germany. The amount of real estate tax depends on the value of the real estate.

Social security taxes

Social security contributions include pension insurance, unemployment insurance, nursing insurance and compulsory health insurance.

Social security contributions are salary dependent. There is an income limit up to which contributions are payable.

Income thresholds for 2013

| | Annual € | Monthly € | Rate of contribution |
|-----------------------------|----------|-----------|----------------------|
| West Germany | | | |
| Pension insurance | 69,600 | 5,800 | 18.9% |
| Unemployment insurance | 69,600 | 5,800 | 3.0% |
| East Germany | | | |
| Pension insurance | 58,800 | 4,900 | 18.9% |
| Unemployment insurance | 58,800 | 4,900 | 3.0% |
| Whole Germany | | | |
| Compulsory health insurance | 47,250 | 3,937.50 | 15.5% |
| Nursing insurance | 47,250 | 3,937.50 | 2.05% |

Stock options

Stock options are treated as income from employment and subject to the individual progressive tax rates. The stock options are taxable at the time of exercise. According to the model treaty stock options, derived from an activity exercise in the other contracting state, are taxable in that state.

Wealth tax

There is no wealth tax in Germany.

Other specific taxes

There are no other specific taxes in Germany.

Tax planning opportunities

| Earnings description | Planning possible |
|--------------------------|-------------------|
| Base salary | Y |
| Bonus | Y |
| Cost of living allowance | Y |
| Housing | Y |
| Home leave | Y |
| Club membership | N |
| Moving expenses | Y |
| Foreign service premiums | Y |
| Education/schooling | Y |

For further information on expatriate tax services in Germany, please contact:

Philippine Popp
E philippine.popp@wkgt.com

Gibraltar

Gibraltar has an attractive tax, regulatory and legal regime within the European Union (EU) which combined with its position as a leading European Finance Centre and the Mediterranean lifestyle culminates in Gibraltar being regarded as an ideal location for international business.

Gibraltar offers efficient tax planning opportunities for corporate clients and private individuals and at Grant Thornton Gibraltar we have experienced tax professionals to advise on both Gibraltar and International issues.

Facts and figures

Pre arrival procedures

In Gibraltar any non-entitled worker will require a work permit to work in Gibraltar.

(An entitled worker is any national from a EU member state, and the spouse of an EU national residing in Gibraltar).

Employment visas

Work permits may be issued up to a maximum of one year (option to renew thereafter).

There are many variants why a work permit might be refused, but in the main, it is based on the availability of the skills that the non-entitled worker is offering the employer and those skills are legitimately required by the said employer. Consideration is also given to the case of filling up the position without the requirement of a work permit.

Tax years

The start of the tax year in Gibraltar is 1 July and runs to 30 June each year.

Tax returns and compliance

Individuals and companies are required to make returns of their taxable income and calculate their own tax liability in any year.

Individuals (not on PAYE) must make two payments on accounts by 31 December and 30 June in each year which should be equal to 50% of the tax liability of the previous tax year.

Individuals, partnerships and sole traders must then submit their tax returns by 30 November following the year in which the income is assessed, together with the payment for the tax liability for that year of assessment less the two payments on account.

Income tax rates

Taxpayers may choose between an allowance based system and a gross income based system. Irrespective of the system opted for, on final assessment the tax office will apply the system most beneficial to the taxpayer.

Examples of allowances include: personal, spouse, children, disability, medical insurance, house purchased, age allowance, dependant relative and social insurance.



Allowance based system rates:

| Range | Rate (%) |
|----------------|----------|
| £0-£4,000 | 15% |
| £4,001-£16,000 | 24% |
| Over £16,000 | 40% |

Gross income based system

Income which does not exceed £10,000 is exempt from tax.

Income less than £25,000:

| Range | Rate (%) |
|-----------------|----------|
| First 10,000 | 6% |
| £10,001-£17,000 | 20% |
| Balance at | 28% |

Income above £25,000:

| Range | Rate (%) |
|-------------------|----------|
| First £17,000 | 16 % |
| £17,001-£25,000 | 19% |
| £25,001-£40,000 | 25% |
| £40,001-£105,000 | 28% |
| £105,001-£500,000 | 25% |
| £500,001-£700,000 | 18% |
| £700,000-£1m | 10% |
| Balance at | 5% |

Sample income tax calculation

| Under the gross income based system | £ |
|-------------------------------------|--------|
| Base salary | 60,000 |
| Bonus | 10,000 |
| Living accommodation | 5,000 |
| Car allowance | 2,500 |
| Total Earnings | 77,500 |

| Tax calculation | | | |
|-----------------------|---------|-----|--------|
| First £17,000 | £17,000 | 16% | 2,720 |
| £17,001-£25,000 | £8,000 | 19% | 1,520 |
| £25,001-£40,000 | £15,000 | 25% | 3,750 |
| £40,000-£77,500 | £37,500 | 28% | 10,500 |
| Tax Liability: 18,490 | | | |

Basis of taxation

Charge on tax

Tax is payable on any income that is accrued in or derived from Gibraltar.

Residence

An individual will be deemed as a resident if:

- they are present in Gibraltar during any year of assessment for at least 183
- in any year of assessment when considering three consecutive years of assessment an individual has been present in Gibraltar for more than 300 days.

Income from employment

All employment related income exercised in Gibraltar is taxed in Gibraltar.

Income less than £8,000 is exempt to the charge of tax in Gibraltar

Sources of employment

Income that is accrued in or derived from Gibraltar is subject to taxation in Gibraltar. Accrued in and derived from is defined by the reference to the location of the activities or the preponderance of activities which give rise to the profits.

Benefits in kind

Benefits in kind are taxed in Gibraltar, these include:

- expense payments
- vouchers and tokens
- living accommodation
- cars, vans and related expenditure
- loans
- parties (if value exceeds £75 in a year per head)

Expatriate concessions

Qualifying (category 2) individual

An individual who has been issued with a 'category 2 individual certificate' shall be liable to income tax on the first £80,000 of assessable income only and the amount of tax due and payable in any year of assessment shall be capped at a maximum of £29,000 approx.

High Executive Possessing Special Skills (HEPSS) individual

These individuals must satisfy the Finance Centre Director that the appointment of a HEPSS individual will promote an sustain economic activity of particular economic value to Gibraltar. A HEPSS individual shall be charged to tax limited to the first £120,000 of their assessable income only and will therefore be capped at a maximum tax of £32,500 approx.

Relief for foreign taxes

A Gibraltar resident who is in receipt of income which is liable to tax in Gibraltar and is derived from and has already suffered tax in any other jurisdiction shall be entitled to double taxation relief in Gibraltar in respect of that income of an amount equal to the tax already deducted or the Gibraltar tax, whichever is the lesser.

Deductions against income

A deduction in computing the profits or gains of any basis period shall only be allowed in respect of any disbursement or expense, which is money wholly and exclusively laid out or expended for the purposes of the production of the income of the trade, business, profession or vocation.

What taxes?

Capital gains tax

There is no capital gains tax in Gibraltar.

Inheritance, estate and gift taxes

There are no inheritance, estate or gift taxes in Gibraltar.

Investment income

Interest is not chargeable to tax in Gibraltar unless it is in the course of licensed money lending activities or deposit taking activities, as defined in the Financial Services (Banking) Act.

Local taxes

Not applicable.

Real estate tax

Stamp duty is payable on the transfer or sale of any Gibraltar real estate or shares in a company owning Gibraltar real estate (on an amount based on the market value of the said real estate) at the following rates:

| On purchase of real estate | Rate |
|--|--|
| First and second time buyer up to £250,000 | 0% |
| Other purchases up to £200,000 | 0% |
| Between £200,000-£350,000 | 2% on first £200,000 and 5.5% on the balance |
| Over £350,000 | 3% on first £350,000 and 3.5% on the balance |

Social security taxes

Employee (under 60)

Min payable per week: £5

Max payable per week: £25.16

Self-employed

Min payable per week: £10

Max payable per week: £30.17

No contributions are payable if persons are not in receipt of earnings

Stock options

Dependant on circumstances, stock options could be treated as capital gains and thus exempt from the charge to tax in Gibraltar.

Wealth tax

There is no wealth tax in Gibraltar.

Other specific tax

There is no VAT in Gibraltar.

Tax planning opportunities

Gibraltar has no VAT, capital gains, inheritance or gift taxes and together with the various tax incentives for high net worth individuals and full membership of the EU it is easy to see why Gibraltar is an ideal location for expatriates and companies alike.

The official and commercial language of Gibraltar is English and Gibraltar has an excellent digital and fibre-optic telecommunications system along with a new international airport terminal with daily scheduled air services to and from the UK. Direct flights to other destinations are available from Malaga airport (Spain), less than two hours' drive from Gibraltar. Gibraltar is only a 30 minute drive away from the renowned Costa del Sol which includes towns such as Estepona, Sotogrande and Marbella.

Gibraltar's economy is well diversified and is built on financial services, internet businesses, tourism and shipping, with no over reliance on any one sector.

Grant Thornton Gibraltar's team of experts in expatriate matters may help you not only obtain the relevant authorisations and registrations fast and effectively, but implement the solutions fit for companies and executives alike.

For further information on expatriate tax services in Gibraltar please contact:

Stuart Dalmedo

E stuart.dalmedo@gi.gt.com



Grant Thornton

An instinct for growth™

Greece

Grant Thornton Greece can help expatriates and their employers in dealing with the Greek tax obligations, as well as with the Greek labour and social security issues.

In particular, the tax and outsourcing team can assist expatriates and their employers in tax calculation, reviewing tax equalisation policies and providing compliance services regarding the Greek tax filing requirements.

Facts and figures

Employment visas

All citizens from EU and Schengen countries can travel to Greece without a visa, plus non-EU citizens from countries, with which Greece has signed a special agreement.

In general, non-EU citizens of any nationality with a valid, unexpired residence/work permit/card or permission to stay in an EU or Schengen member state, can travel and stay to Greece without a visa for up to 90 days in any 180-day period.

You are encouraged to contact local authorities - usually the interior ministry, border agency or immigration center about what your residency/work permit entitles you to do.

If you are a non-EU citizen living outside the EU and your country is not one of the countries which have a special agreement with Greece, the citizenship of your spouse or blood relative does not grant special privileges or make you exempt from securing a visa for travel and temporary visits to the EU as a student, businessman or tourist. It only decreases the number of documents required and exempts you from paying a fee if you are the non-EU spouse or minor child of an EU citizen.

Tax year

The tax year is the same as the calendar year.

Tax returns and compliance

The tax return must be submitted during the period from 1 February to 30 June of the following year, but this deadline can be extended.

The taxpayer should know that penalties for late filing are imposed.

Tax residents of a foreign country who own property or derive income in Greece, are required to submit a tax residence certification to the Greek tax authorities, before the tax return file deadline.



Income tax rates

Tax rates differ depending on the income source:

- Tax rates for income from employment and pensions:

| Income | Tax rate |
|-----------------|----------|
| ≤ 25,000 | 22% |
| 25,000 – 42,000 | 32% |
| > 42,000 | 42% |

- Tax rate for business profits is 26% for companies and professionals (non-employees)
- Tax rate for income gained of capital invested:

| | |
|---------------------|--|
| Dividends: | 10% |
| Interest: | 15% |
| Royalties: | 20% |
| Real estate- rent : | 11% (for income ≤ 12,000) 33% (for income > 12,000) |

- Tax rate for capital gains (real estate, shares, bonds and other financial products) is: (selling price- acquisition cost) x 15%.

Sample income tax calculation

| | £ |
|-----------|--------|
| Wages | 28,000 |
| Dividends | 18,000 |
| Rent | 17,000 |
| Total | 63,000 |

| Source | Income | Rate | Tax | |
|--------------------------|--------------------------------|-------|---------|------------|
| Wages | 25,000 | x 22% | = 5,500 | |
| | + 3,000 | x 32% | = 960 | |
| | 28,000 | | 6,460 | (A) |
| Dividends | 18,000 | x 10% | = 1,800 | (B) |
| Rent | 12,000 | x 11% | = 1,320 | |
| | + 5,000 | x 33% | = 1,650 | |
| Total | 17,000 | | 2,970 | (C) |
| Total tax | (A)+ (B) + (C) = 11,230 | | | |
| Average tax rate: | 11.230/63.000 = 17.83% | | | |

Basis of taxation

Charge on tax

An expatriate is only liable to tax for the income that has been gained in Greece, if he is not considered to be a local resident.

The tax payer who is not considered to be a resident, cannot deduct percentage of expenses from their tax payable or the tax discount, unless they are resident of the EU and 90% of their global income is gained in Greece, or their income is very low.

Residence

The key factors that determine whether an expatriate is deemed to be a resident and therefore whether is liable to pay local tax for worldwide income or not, are:

- the country of the taxpayers permanent home
- the country of their vital interests
- whether they are a diplomat or public officer working abroad
- the period of physical presence in Greece (if they have been in Greece for at least 183 days in any twelve month period, even with short breaks, they are considered to be a resident).

Income from employment

Wages, salaries, all benefits (in kind), bonuses and pensions are considered to be income from employment.

An expatriate is chargeable from his first day working in Greece regarding the particular income, since every income gained in Greece is liable to domestic tax law.

All employers are obligated to deduct tax from salaries, unless the employee's tax of the year is estimated to be zero, due to very low income (after his expenses and the €2,100 tax discount is deducted from tax attributable).

Sources of employment

The source of employment is Greece when:

- the place where the actual work or service is performed is Greece
- the employer is Greek government
- the pension provider is a Greek equity.

Benefits in kind

Benefits of all kinds are treated as income from employment when the value of the benefit is more than €300 annually, especially for benefits including company cars, company loans, rents and stock options. The employer is required to deduct and pay the tax from wages.

If the benefit is provided to serve the interests of the employer (even if the employee is benefited as well), then the benefit is not regarded to be income of employment of the employee- instead it is treated as a business expense for the employer.

Relief for foreign taxes

Any expatriate's income that has already been taxed in a foreign jurisdiction, but is also to be taxed in Greece, can only be credited, if such an option is mutually agreed by the two countries in a double taxation agreement.

Deductions against income

The expatriate can only deduct a percentage of expenses and tax discount from his tax payable, if:

- they are a resident of the EU, and the 90% of their global income is gained in Greece
- their income is so low, that they would have the right to deduct expenses according to their own country's domestic tax law, if liable there.

In that case, the taxpayer may deduct a percentage of medical expenses and of donations, and a tax discount from their tax.

The tax discount is €2,100 for income ≤ €21,000, and is reduced by €100 for every €1,000 of income above €21,000.

What taxes?

Capital gains tax

Tax rate for capital gains (real estate, shares, bonds and other financial products):

- $(\text{Selling price} - \text{acquisition cost}) \times 15\%$

Inheritance, estate and gift taxes

Inheritors and donation receivers are classified in three categories:

Category A

Spouse, children, parents and grandchildren.

| Bracket of property/ donation | Tax rate |
|-------------------------------|----------|
| up to 150,000 | – |
| 150,000 | 1% |
| 300,000 | 5% |
| >300,000 | 10% |

Category B

Other descendants and ascendants, brothers and sisters, relatives of the third degree (nephews/nieces and uncles/aunts), foster parents, children from previous marriage, sons or daughters-in-law.

| Bracket of property/ donation | Tax rate |
|-------------------------------|----------|
| up to 30,000 | – |
| 70,000 | 5% |
| 200,000 | 10% |
| >200,000 | 20% |

Category C

All the rest blood relatives or in-laws.

| Bracket of property/ donation | Tax rate |
|-------------------------------|----------|
| up to 6,000 | – |
| 66,000 | 20% |
| 196,000 | 30% |
| >200,000 | 40% |

If the donation is cash, a different tax scale is applied:

| Category | Tax rate |
|----------|----------|
| A | 10% |
| B | 20% |
| C | 40% |

Investment income

Dividends, interest and royalties are taxed as below:

| | |
|------------|-----|
| Dividends: | 10% |
| Interest: | 15% |
| Royalties: | 20% |

Real estate tax

Real estate taxes:

- **Ownership (E.N.F.I.A. – Annual property tax)**
A yearly tax charge based on the estimated value of property held and on other critical factors, such as: property age, zone price, use of property, apartment floor, etc.
An additional tax is imposed, if the total value of the property exceeds €300,000. This extra charge is 0.1% - 1% of the exceeded property value.
- **Rent**
 - 11% (for income ≤ 12,000)
 - 33% (for income > 12,000)
- **Property conveyance**
3% of the value.

Social security taxes

Social security taxes are paid by the employer, or by the self-employed, and some percentage is deducted from the employee's salary.

The tax rate is not standard, it depends on the profession of the employee and other critical factors. Under specific conditions, an expatriate could be relieved from social security taxes.

Stock options

Income from stock options gained by an employee is treated as income from employment and therefore the progressive rates are applied.

Wealth tax

Luxury cars, private airplanes, helicopters and swimming pools, indicate a wealthy lifestyle, and for that reason their owners are liable to pay extra tax.

Tax rates are proportional to the value and the estimated maintenance cost of the car, airplane, helicopter or swimming pool.

Other specific tax

Stamp duty

Stamp duty is a tax that is levied on documents at rates from 1.2% to 3.6%.

Solidarity tax

An extra solidarity tax is applied until 2016 for social reasons.

Tax rate for solidarity tax:

| Income (€) | Solidarity tax on the total income |
|--------------|------------------------------------|
| 0 - 12,000 | – |
| 0 - 20,000 | 1% |
| 0 - 50,000 | 2% |
| 0 - 100,000 | 3% |
| Over 100,000 | 4% |

For further information on expatriate tax services in Greece please contact:

Sotiris Gioussios
E sotiris.gioussios@gr.gt.com

Guinea

Expatriates taking up employment in Guinea will be subject to comprehensive rules and in some cases employment visa requirements. Grant Thornton's Expatriate tax team can help expatriates and their employers in dealing with the Guinean tax and employment visa requirements, as well as with the Guinean labour and social security issues. In particular Grant Thornton Guinea can assist expatriates and their employers in identifying tax planning opportunities, reviewing tax equalisation policies and providing compliance services regarding the Guinean tax filing requirements.

Facts and figures

Pre arrival procedures

The employees of non nationals are required to apply for work permits within the National Office of Employment prior to the employee taking up employment in Guinea.

It is therefore important that the expatriates employment contract and benefit package is structured in a tax efficient manner before the contract is submitted to the National Office on Employment.

Employment visas

Under the work permit procedure, the employer is required to apply for the visa. National Authorities should respond within 30 days maximum, otherwise, the visa is supposed to be automatically granted.

Tax year

The Guinean tax year runs from 1st January to 31st December.

Tax returns and compliance

The Guinean resident for tax purposes must file their tax return before end of April.

Payment of the Guinean tax

The Guinean tax is paid in a basis of withholding on the monthly salary for employees. For those who have complementary revenue, they are required to submit their annual revenue declaration by the end of March at the latest. The revenue taxes for each year are based on the revenue earned during the previous year.



Tax rates

The total amount of income tax levied by the employer from the salary:

| Portion of taxable income (GNF) | Rate (%) |
|---------------------------------|----------|
| 0 to 1,000,000 | 0 |
| 1,000,001 to 5,000,000 | 5 |
| 5,000,001 to 10,000,000 | 10 |
| Above 10,000,000 | 15 |

The income tax rates:

| Portion of taxable income (GNF) | Rate (%) |
|---------------------------------|----------|
| 0 to 100,000 | 0 |
| 100,000 to 1,000,000 | 10 |
| 1,000,001 to 1,500,000 | 15 |
| 1,500,001 to 3,000,000 | 20 |
| 3,000,001 to 6,000,000 | 25 |
| 6,000,001 to 10,000,000 | 30 |
| 10,000,001 to 20,000,000 | 35 |
| Above 20,000,000 | 40 |

Basis of taxation

Charge to tax

A charge to Guinean tax is dependent on whether the income arises in Guinea, and the extent of the charge will be determined by an individual's tax residency status.

Residence

Taxation of individuals in Guinea is determined by their residency or the source of their earnings: Persons are resident in Guinea for Guinean tax purposes if:

- they have their home in Guinea, for at least 183 days a year
- they carry on a professional activity in Guinea unless this activity is carried on therein incidentally
- they have the center of their economical interests in Guinea.

Individuals that are Guinean resident are taxed on their worldwide income and gains. Non residents are only taxed on their Guinean income and gains.

Income from employment

A Guinean tax charge arises on employment income derived from duties performed in Guinea. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc.

Source of employment

As mentioned above, where duties are performed in Guinea, any remuneration received in respect of these duties is treated as Guinean sourced income and therefore subject to Guinean income tax regardless of the expatriate's tax residence status (taking into account any double taxation treaty).

Benefits (in kind)

In general where the benefit is enjoyed in Guinea, a Guinean income tax charge will arise. Therefore, housing, meal allowances, provision of a car and relocation allowances will come within the charge to Guinean income tax in addition to the individual's salary.

Expatriate concessions

Expatriate concessions are dependant on any non double taxation treaty.

Relief for foreign taxes

Where income has been subject to tax twice (in Guinea and in France) relief can be granted by the Guinean Revenue Authority where provided for in the relevant double taxation treaty (the only double taxation treaty signed by Guinea is the one with France).

What taxes?

Capital gains tax

Capital gains on transfers of shares are taxed at a rate of 10% while those on transfers of fixed assets are taxed at the regular corporate rate unless the proceeds are used to acquire new fixed assets in Guinea during the following three financial years.

Inheritance, estate & gift taxes

No taxes for individuals.

Investment income

Investment income, as dividends, capital gains on transfers of stocks and interests are taxed at a rate dependant on the nature of the income. The tax rates are 10% or 15%.

Real estate tax

There is single real estate tax for owners. The tax is called 'Contribution Foncière Unique' and the rate depends on the situation. The rate is 10% or 15% of the rental value.

Social security taxes

In Guinea, Social Security is due on a monthly basis to the Caisse Nationale de Sécurité Sociale (CNSS).

The cost basis is 1,500,000 GNF (following order No:3863 2010 CAN-MSNPFE of 10 August 2010). The rates are 18% for the employer and 5% for the employee.

Stock options

Not applicable.

Wealth tax

Not applicable.

Dividends

The amount is levied from 10% withholding tax which is in full discharge for non-residents.

Withholding taxes

15% withholding tax in full discharge for non-wage income paid from Guinea to a non-resident.

Tax planning opportunities

| Earnings description | Planning possible |
|--------------------------|-------------------|
| Base Salary | Y |
| Bonus | Y |
| Cost of Living Allowance | Y |
| Housing | Y |
| Home Leave | Y |
| Club Membership | N |
| Moving Expenses | Y |
| Foreign Service Premiums | Y |
| Education/Schooling | Y |

For further information on expatriate tax services in Guinea please contact:

Amadou Barry

E amadou.barry@fr.gt.com

Hong Kong

Expatriates taking up employment in Hong Kong will be subject to Hong Kong's comprehensive tax rules and employment visa requirements. Grant Thornton Hong Kong's expatriate tax team can help expatriates and their employers to deal with Hong Kong tax and employment visa matters.

In particular, Grant Thornton Hong Kong, a member firm of Grant Thornton International Ltd, can help expatriates and their employers to identify Hong Kong tax planning opportunities, review tax equalisation policies, as well as providing compliance services regarding Hong Kong tax filing requirements.

Facts and figures

Pre arrival procedures

Expatriates who require a work visa must apply for this before taking up employment in Hong Kong. It is, therefore, important that the expatriate's employment contract and benefit package is structured tax efficiently before the contract is submitted to the Immigration Department.

Employment visas

Under the requirements of the Immigration Ordinance, expatriates taking up employment in Hong Kong must apply for an employment visa before commencing employment. The Immigration Department places emphasis on the education level and skills of the employee and the economic benefits to Hong Kong that will flow from the expatriate's employment.

If the expatriate's spouse and dependent family will also be relocated to Hong Kong, they will require dependent visas. It should be noted that spouses entering Hong Kong on dependent visas are now allowed to take up employment in Hong Kong and no longer require a separate employment visa if they wish to work in Hong Kong.

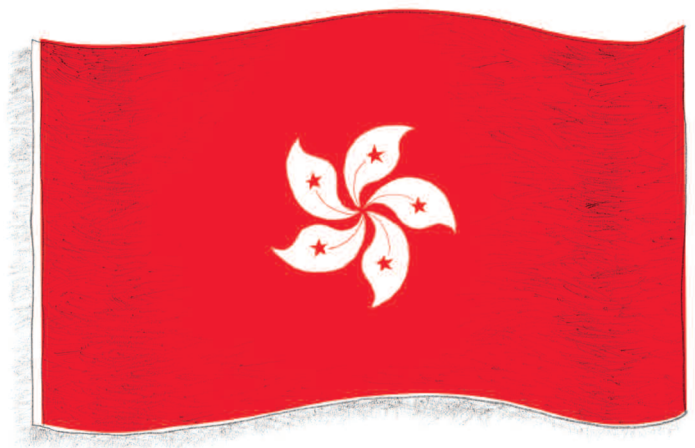
Tax year

The Hong Kong fiscal year runs from 1 April to 31 March.

Tax returns and compliance

There are no withholding taxes such as Pay As You Earn (PAYE) imposed on employment income. The employer's reporting obligations are to notify the Inland Revenue Department (IRD) of employees commencing and ceasing employment and to file an annual return of remuneration (Form IR56B) for each employee within one month of the salaries tax year end (31 March).

Employees have to file an individual tax return each year, usually by 31 May.



Tax rates

Employees are subject to salaries tax in respect of their employment income. The rate of salaries tax charged for 2012/13 will be the lower of:

- a. net assessable income less allowable deductions at the standard rate of 15%; or
- b. net assessable income less allowable deductions and personal allowances at progressive rates as follows:
 - first HK\$ 40,000 – 2%
 - next HK\$ 40,000 – 7%
 - next HK\$ 40,000 – 12%
 - remainder – 17%.

Sample income tax calculation 2012/13

| | Compensation cost HK\$ | Taxable HK\$ |
|---|---------------------------|-----------------|
| Salary | 900,000 | 900,000 |
| Bonus | 200,000 | 200,000 |
| Benefits | | |
| Housing paid for by employer (Note 1) | 600,000 | – |
| Holiday travel | 60,000 | 60,000 |
| Utilities paid for by employer (Note 2) | 48,000 | – |
| Employer's Mandatory Provident Fund (MPF) contribution (Note 3) | 14,500 | – |
| Cost of compensation package to employer | 1,822,500 | |
| Assessable income | | 1,160,000 |
| Housing benefit (Note 1) | | 116,000 |
| 10% x other assessable income HK\$ | | (116,000) |
| Assessable income | | 1,276,000 |
| Less approved charitable donation | | (16,000) |
| Employee MPF contribution (Note 6) | | (14,500) |
| Net assessable income | | 1,245,500 |
| Less personal allowance (Note 4) | | (120,000) |
| Child allowance (Note 5) | | (126,000) |
| Net chargeable income | | 999,500 |
| Tax will be the lower of (Note 7) | | |
| (A) Net chargeable income at progressive rate | | 157,915 |
| Or (B) Net assessable income @ 15% | | 186,825 |
| Tax liability will therefore be (Note 7) | | 157,915 |

Notes

1. The domestic residential rental costs for the employee's flat are paid for by the employer under a valid lease. The amount is treated as a housing benefit rather than a housing allowance and is subject to salaries tax on a deemed benefit basis. The full cost of the rent is a deductible expense for profits tax purposes for the employer.
2. If the employer contracts for and pays for the utilities provided to the employee these amounts are not taxable.
3. The employer's MPF contribution is not a taxable benefit in the hands of the employee.
4. Assuming the spouse is working and no joint assessment is elected (i.e. spouses are taxed separately).
5. Assuming the expatriate has two children and the expatriate (rather than the spouse) claims the allowances.
6. The employee's MPF contribution is tax deductible up to a maximum of HK\$14,500.
7. Salaries tax charge will be the lower of these two calculations i.e. HK\$ 157,915.
8. It is proposed that a 75% tax reduction (subject to as HK\$ 10,000 ceiling) is available to salaries tax payers. This is subject to the enactment of the 21 March 2013 legislation.

Basis of taxation

Charge to tax

Hong Kong's tax system is territorial and schedular. Accordingly, there is no single income tax in Hong Kong. Instead, Hong Kong levies three taxes on income, all of which are territorial, namely:

- salaries tax – charged on income arising in or derived from Hong Kong from employment office or pension and on income from services rendered in Hong Kong in connection with employment office or pension
- property tax – charged on rental income from Hong Kong property
- profits tax – charged on persons carrying on trade, profession or business in Hong Kong and is levied on profits sourced, or deemed to be sourced, in Hong Kong (excluding profits from sale of capital assets).

Residence

The concept of residence is not generally of relevance as Hong Kong imposes taxes on a territorial or source basis, so that only income with a Hong Kong source is taxable.

Income from employment

Income from employment is subject to salaries tax. Where an expatriate has a Hong Kong source employment he/she is subject to salaries tax on all of the income from that employment unless they render their employment duties in Hong Kong during visits not exceeding 60 days in an assessment year. If the expatriate has a non Hong Kong source employment he/she is subject to salaries tax only in respect of days spent in Hong Kong – the so called 'time basis' or 'time claim'.

The definition of income for salaries tax purposes includes wages, salaries, bonuses, gratuities, benefits in kind and allowances if these are received as a reward for services.

Source of employment

Where an employee has a Hong Kong source employment they are generally subject to salaries tax on all of their income from that employment. However, where an employee has a non Hong Kong source employment the employee can claim exemption from salaries tax for business days spent outside Hong Kong under a time claim.

Whether there is a Hong Kong source or non Hong Kong source, employment is generally determined by reference to three tests:

- the place where the contract of employment is negotiated, concluded and is enforceable
- the place where the employer is resident
- the place of payment of the taxpayer's salary.

However, the IRD reserves the right to apply a 'totality of facts' test, i.e. to explore the full picture to determine the degree of attachment to a Hong Kong entity, where the source of employment using the above tests is not clear.

Director's fees

The time basis claim does not apply to director's fees. Director's fees are subject to salaries tax if the company of which the individual is a director is centrally controlled and managed in Hong Kong.

If the company is not centrally controlled and managed in Hong Kong then director's fees paid are not subject to salaries tax.

Benefits (in kind)

The tax treatment of four benefits in kind are specified in the Inland Revenue Ordinance namely, housing, holiday journey benefits, education and stock options. All other benefits are only subject to salaries tax if they fall within one of the following two categories:

1. Benefits capable of being converted to money's worth by the recipient.
2. Amounts paid by the employer to discharge the personal liability of the employee.

Expatriate concessions

There are no specific salaries tax concessions for expatriates but the correct structuring of housing and other benefits as part of the compensation package can result in significant tax savings.

Relief for foreign taxes

Due to Hong Kong's territorial system of taxation, employees can claim exemption from salaries tax for business days spent outside of Hong Kong if the employee has a non Hong Kong source employment and is eligible for a time claim.

However this relief is not available if the employee has a Hong Kong source employment, as in that case the employee is subject to salaries tax on all of his income from that employment, regardless of the time spent outside Hong Kong.

As at 21 March 2013, Hong Kong has negotiated 27 Comprehensive Double Tax Agreements (CDTA) for the avoidance of double taxation. However, some are not yet in force. Reference should be made to the relevant CDTA for details of the relief available to minimise the possibility of double taxation in Hong Kong and the other foreign jurisdictions.

There is also a more general relief available where an employee performs services in another jurisdiction and pays tax of a similar nature to salaries tax in that jurisdiction. In certain circumstances the employee may be exempted from salaries tax in respect of that income.

The relief operates by excluding (from salaries tax) the income derived by the employee for services rendered outside Hong Kong if the employee is chargeable to tax in the other jurisdiction in which the employee renders services. The Commissioner of the Inland Revenue must also be satisfied that the employee has actually paid tax in that jurisdiction and that the tax paid is similar in nature to salaries tax.

Deductions against income

Deductions against compensation

In order for an expense to qualify as a deduction for salaries tax purposes it must be wholly, exclusively and necessarily incurred in the production of assessable income. In practice, the rigid nature of these tests mean that few deductions are available.

Tax deductions

Donations to approved educational and charitable organisations may be deducted for tax purposes up to 35% of the employee's assessable income.

Home mortgage interest payments in respect of Hong Kong property are deductible for salaries tax purposes. Owner-occupiers may claim a deduction for mortgage interest payments for one property up to a maximum of HK\$ 100,000 per year and for a maximum of 15 years.

Contributions to a Mandatory Provident Fund (MPF) scheme or recognised retirement scheme by an employee are tax deductible up to a maximum of HK\$ 14,500 in 2012/13.

A salaries tax deduction of up to HK\$ 60,000 per annum is available in respect of training courses provided by authorised institutions.

Personal allowances – 2012/13

| | HK\$ |
|--|---------|
| Personal allowance (single) | 120,000 |
| Personal allowance (married) | 240,000 |
| Single parent allowance | 120,000 |
| Child allowances – annual (each) | 63,000 |
| Child allowances – year of birth (each) | 126,000 |
| Allowance for dependent parent/grandparent aged 55 to 59 | 19,000 |
| Additional allowance for dependent parent /grandparent aged 55 to 59 | 19,000 |
| Allowance for dependent parent/grandparent aged 60 and above | 38,000 |
| Additional allowance for dependent parent/ grandparent aged 60 and above | 38,000 |
| Disabled dependent allowance | 66,000 |
| Dependent sibling allowance | 33,000 |

What taxes?

Capital gains tax

There is no capital gains tax in Hong Kong. However individuals who regularly buy and sell Hong Kong property may be subject to profits tax on the proceeds if the IRD consider they are carrying on the business of trading in property.

Inheritance, estate & gift taxes

There are no inheritance or gift taxes in Hong Kong and no estate duty.

Investment income

Interest income, dividends and other investment income arising to individuals are not taxable in Hong Kong.

Local taxes

There are no local taxes imposed on the income of individuals in Hong Kong.

Real estate tax

There is no real estate tax in Hong Kong other than stamp duty on the transfer of property. However to cool down the Hong Kong property market, any residential property now acquired but resold within 36 months, unless otherwise exempted is subject to a special stamp duty up to 20% of the property value. Any residential property now acquired (except by a Hong Kong permanent resident) is subject to a buyers stamp duty at 15% of the properties value.

Social security taxes

There are no social security taxes in Hong Kong.

However Hong Kong does operate a MPF scheme whereby both employers and employees contribute to a mandatory pension plan. Expatriates who are members of an overseas retirement scheme are generally exempted from joining an MPF scheme until such time as they obtain a Hong Kong Permanent Identity Card (which can normally be obtained after seven years).

Mandatory contributions to an MPF scheme are limited to a maximum of HK\$ 1,250 per month for both the employer and employee.

Stock options

Any gain realised by the exercise, assignment or release of an option to acquire shares is taxable if the option was granted to an individual because of his employment or office in Hong Kong. It should be noted that it is the exercise rather than the granting of the option which is the taxable event. The taxable gain is the difference between the market value of the shares at the time of exercise of the option and the price paid. Expatriate employees who arrive in Hong Kong with unvested stock options may be subject to salaries tax if the options vest and are exercised while the employee is in Hong Kong.

Expatriate employees leaving Hong Kong may be subject to salaries tax on options granted for employment in Hong Kong but exercised after the employee has left Hong Kong.

This area is complex and specialist advice should be sought in each case.

Wealth tax

There are no wealth taxes in Hong Kong.

Other specific taxes

Profits tax is charged on persons carrying on a trade, profession or business in Hong Kong. It is levied on profits with a source, or deemed to have a source, in Hong Kong but excludes profits from the sale of capital assets.

Property tax is charged on rental income from Hong Kong property.

Tax planning opportunities

The advantageous salaries tax treatment of certain benefits in kind, especially housing benefits, can significantly reduce an expatriate's salaries tax liabilities. However, this requires proper planning and documentation before the individual takes up employment in Hong Kong and will require a review of the expatriate's employment contract, and where necessary, the implementation and operation of proper controls by the employer.

Tax savings can also be made where an expatriate is required to travel outside Hong Kong on business if he has a non Hong Kong source employment. Proper documentation of such employment contracts are required, and it is important that the exact nature of the expatriate's duties in Hong Kong and his role in the employer's Hong Kong office is clearly identified.

The tax equalisation programme for an assignment to Hong Kong should be reviewed before the assignment commences to ensure that it is still valid. The programme should be reviewed on a regular basis during the assignment to recognise changes in tax legislation.

Expatriates who have been granted stock options before coming to Hong Kong should review the salaries tax implications of these awards as part of their pre arrival planning as there can be significant tax implications.

The expatriates who participate in stock award schemes (rather than the stock option schemes) should seek advice on the Hong Kong salaries tax treatment of these awards as part of their pre arrival planning.

Expatriates departing from Hong Kong should review their stock options/stock award scheme entitlements prior to departure.

Expatriates leaving Hong Kong who receive significant termination awards should review those awards to determine whether they are subject to salaries tax. In certain circumstances termination payments which are not a reward for services and are non contractual (eg in consideration of surrendering pre-existing contractual rights) may be exempt from salaries tax.

Grant Thornton Hong Kong's expatriate tax team can advise expatriates on these and related opportunities and assist both employers and expatriates with tax equalisation policies and Hong Kong tax compliance services.

For further information on expatriate tax services in Hong Kong please contact:

William Chan
E william.chan@cn.gt.com

Hungary

Expatriates taking up employment in Hungary will be subject to comprehensive tax rules and, in some cases, employment visa requirements.

The expatriate tax team at Grant Thornton Hungary can help expatriates and their employers to deal with Hungarian tax and employment visa requirements.

In particular, Grant Thornton Hungary can help expatriates and their employers to identify Hungarian tax planning opportunities and review tax equalisation policies; as well as providing compliance services regarding Hungarian tax filing requirements.

Facts and figures

Pre arrival procedures

The employment of expatriates is, in general, subject to a work permit, which must be obtained before taking up employment in Hungary. The managing directors of 'Kft's' and members of the board of directors of 'Rt's' are exempt. Managing directors of branch offices, 'key persons' in joint ventures, who have to apply for work permits, are granted them automatically.

No work permit is needed for the citizens of EEA member states.

Employment visas

Foreign individuals should apply for an employment visa in the foreign country's Hungarian embassy. This will entitle them to stay in Hungary for one year. If they wish to extend their stay, a residence permit need to be applied for 15 days before the visa expiry date.

The residence permit can be applied for four years in case of managing directors and can then be extended every two years.

Citizens of EEA countries can stay in Hungary for a maximum of 90 days without any special permit. They are entitled to stay freely after 90 days, if they register as a resident in Hungary.

Tax year

The tax year for individuals is the calendar year – 1 January to 31 December.

Tax returns and compliance

Tax returns must be submitted by individual taxpayers by 20 May of the following year. The tax authority or the employer can be asked to prepare the tax return by submitting a declaration. Foreign individuals on assignment in Hungary have to file a tax return.



Income tax rates

| Taxable income | Tax rate |
|----------------|----------|
| Flat rate | 16% |

In case of wage incomes in 2013, the basis of the personal income tax is the gross income. Child allowance from the tax base is:

- 62,500 HUF if the number of dependents is one or two
- 206,250 HUF if the number of dependents is three or more, for each dependent per each month of eligibility.

| Social security rate | Employer | Employee |
|---|----------|----------|
| Pension contribution | | 10.0% |
| Health insurance and labour market contribution | 27.0% | 8.5% |
| Training contribution | 1.5% | |

Sample income tax calculation

| | HUF |
|--|-----------|
| Employment income | 8,000,000 |
| Gross income | 8,000,000 |
| Personal contributions | |
| Pension contribution 10% | 800,000 |
| Health insurance and labour market contribution (8.5%) | 680,000 |
| Taxable income | 8,000,000 |
| Children allowance for two children | 1,500,000 |
| Tax base | 6,500,000 |
| Tax (PIT) | 1,040,000 |
| Tax bill | 2,520,000 |

Basis of taxation

Charge to tax

Individuals resident in Hungary are subject to tax on their worldwide income. Non residents are subject to tax on their income earned in Hungary. (Hungarian source income).

Residence

The following individuals are considered residents:

- Hungarian citizens (except dual citizens without Hungarian domicile or regular place of abode)
- individuals present in Hungary for at least 183 days in a calendar year
- foreign nationals holding a residency permit, stateless persons

- individuals maintaining their usual domestic residence in Hungary; or whose centre of vital interests is Hungary if they have no permanent residence or if Hungary is not the only country where they have permanent residence, or who are not domiciled in Hungary or if Hungary is not the only country where they are domiciled and the centre of vital interests is unknown.

Individuals who are not residents are considered non residents.

Income from employment

Hungarian personal income tax liability arises on employment income if the work is done in Hungary.

Income tax on the gross amount is deducted monthly from the employee's salary by the employer, and paid to the tax authorities by no later than the 12th day of the following month.

Individuals receiving income that is taxable in Hungary from an employer other than a Hungarian taxpayer are obliged to pay a tax advance on a quarterly basis until the 12th day of the month following the quarter.

Source of employment

Remuneration received in respect of duties performed in Hungary is treated as income earned in Hungary and is subject to Hungarian income taxation, unless the regulations of a double taxation agreement restrict it.

Benefits (in kind)

Certain benefits in kind provided by the employer are taxable to the providing company. Other benefits, which do not belong to the scope of these benefits in kind, are considered as the employee's income. There are separate regulations applicable for the taxation of company cars and phones.

Expatriate concessions

There are no specific expatriate concessions available in Hungary.

According to the tax authority's interpretation, accommodation in kind can be provided tax free not only for a short term assignment but also for expatriates. Cash compensation for accommodation is taxable as employment income.

Relief for foreign taxes

A tax credit is available in general in respect of 90% of foreign taxes paid. This is limited to the amount of Hungarian average tax that would be due on the foreign income. Relief for foreign taxes is available based on double taxation agreements. Hungary has concluded double taxation agreements with 74 countries. These agreements are mainly based on the OECD model treaty.

Deductions against income

Employees' expenses (travel, accommodation) can be compensated by the employer tax free if these expenses incurred in the interest of the employer's business activity. Fuel compensation at HUF 9 per kilometre is tax free if the employee uses his own car for business purposes.

What taxes?

Capital gains tax

Capital gains arising from Hungarian sources are subject to personal income tax when realised. A flat rate of 16% on any capital gains arises on the disposal of securities or shares in a limited liability company.

16% tax is levied on stock exchange gains.

Gains from the transfer of property, rights of property value related to real estates are taxed at a rate of 16%. When an individual sells an immovable property owned for more than five years the tax base is reduced by 10% points per year of ownership. Special rules apply to transfers of houses and flats. In this case, if an individual sells a house or flat owned more than five years, no tax liability regarding this.

Inheritance, estate & gift taxes

The general rate of inheritance and gift duty is 18% of the net worth of the inheritance or gifts. As regards the acquisition without compensation of residential property and rights related to residential property, the inheritance and gift duty is 9%.

The portion of legacy inherited by a child, the spouse or the parent of the testator and by the grandchild having lived in the same household without parents will be exempt from inheritance duty up to HUF 20 million net value of the object. Tax exempt is any gift or inheritance acquired by the next of kin of the testator or donor (including where relationship is based on adoption).

Investment income

Dividends

Dividends paid to individuals are subject to 16% withholding tax.

Interest

Tax on interest income from Hungarian sources are subject to withholding tax at a rate of 16%. If the interest income comes from long-term investments (under special conditions with an investment service provider or a credit institution) the tax can be 0% after a five year holding period.

These rates are reduced by the double taxation agreements.

Local taxes

Personal cars are subject to automobile tax, which is payable to the local government by the owner of the car stated in the registration of the authority. The tax is levied between 345 HUF/kW and 140 HUF/kW depending on the age of the car. Special rules are applicable on cars having temporary number-plates.

Company car provided by a Hungarian company is taxed at the hands of the Hungarian company.

Real estate tax

The owners of buildings, beneficiary of rights of property value are obliged to pay building tax.

The annual maximum rate of tax can be 1,100 HUF per metre square or 3.6% of the adjusted market value, depending on the local government's decision.

The municipalities may exceed the legally stipulated upper limit by up to the inflation rate. The maximum rate is 156.64% in 2013.

Expatriates do not need to pay personal income tax on the real estate rented if the fees are paid by their employer.

Social security taxes

Foreign employees of Hungarian companies, as well as their employers, are obliged to pay Hungarian social insurance. Hungarian social insurance contains two elements: old age pension and health insurance.

EU citizen expatriates may decide not to be subject to Hungarian social security for two years based on permission. Third country citizen expatriates are not subject to the Hungarian social security system, except where there is a social security agreement between Hungary and the third country in question. From 2012, the third country citizen expatriates become subject to the Hungarian social security system if their delegation exceeds two years.

Stock options

The grant of stock options is not taxable. When the employee exercises the right, the difference between the beneficiary's option price and the market price is valued according to the relation between the parties (in most cases as an employment income). The difference between the market price at the time of the realisation and the sales price is taxed as a capital gain. The tax advantage of an approved employee's stock option is that up to 1,000,000 HUF of the realisation of the option is a tax free income.

Wealth tax

Not applicable

Other specific taxes

There is a standard 4% duty on property transfer in general, which must be paid by the customer (2% of the amount above HUF 1.000 million but maximum 200 million HUF/property).

Tax planning opportunities

According to the tax authority's interpretation, accommodation in kind can be provided tax free not only for a short term assignment but also for expatriates. Cash compensation for accommodation is taxable as employment income.

Company car provided by a Hungarian company is taxed at the hands of the Hungarian company.

For further information on expatriate tax services in Hungary please contact:

Waltraud Körbler
E w.koerbler@ib-gtbudapest.co.hu



Grant Thornton

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Indonesia

Expatriates taking up employment in Indonesia will be subject to comprehensive tax rules and work permit requirements. Liability to tax will be principally determined by their residence status and the source of the relevant income.

The expatriate tax team at Grant Thornton Hendrawinata, the Indonesian member firm within Grant Thornton International Ltd, helps expatriates and their employers to deal with Indonesian tax and employment related matters.

In particular, Grant Thornton Hendrawinata can help expatriates and their employers to identify Indonesian tax planning opportunities, arrange work and stay permits, and provide Indonesian tax filing services.

Facts and figures

Pre arrival procedures

Expatriates who require a work visa must apply for this before taking up employment in Indonesia.

Employment visas

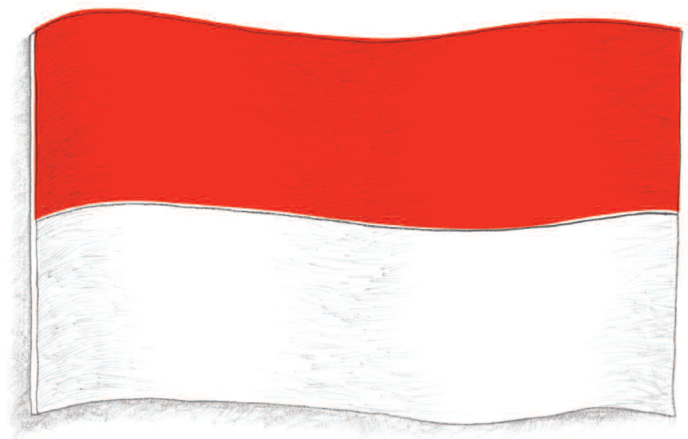
An expatriate taking up employment in Indonesia must apply for a work permit before commencing employment. A local sponsor, who is usually the employing company in Indonesia, is required to support the application for the employment permit. In addition to the work permit, the expatriate should also obtain a temporary stay permit for him or herself and any dependents.

Tax year

The Indonesian tax year runs from 1 January to 31 December.

Tax returns and compliance

Indonesia operates a self-assessment regime whereby taxpayers file an annual tax return and self-assess the tax liability for the year. The latest filing date is 31 March and the latest additional tax payment, if any, is 25 March.



Income tax rates

Expatriates are taxed at progressive rates according to net taxable income. The existing tax rates are as follows:

| Rupiah (IDR) | |
|---------------------------|-----|
| 0 – 25,000,000 | 5% |
| 25,000,001 – 50,000,000 | 10% |
| 50,000,001 – 100,000,000 | 15% |
| 100,000,001 – 200,000,000 | 25% |
| 200,000,001 + | 35% |

Sample income tax calculation

| Taxable gross salary: | Total Income (IDR) |
|--|--------------------|
| Salary | 832.532.967 |
| Salary | 532.532.967 |
| Allowance | 300.000.000 |
| | 832.532.967 |
| Less: occupational allowance | |
| 5% of gross income (maximum IDR108,000/month) | (1.296.000) |
| 2% of social security contribution (by expatriate) | (16.650.659) |
| | 814.586.308 |
| Annualised income | 814.586.308 |
| Less: permanent deduction | (15.600.000) |
| Net taxable income | 798.986.308 |
| Tax on regular income calculation: | |
| Income tax for a year | |
| First IDR 25m | 5% 1.250.000 |
| Next IDR 25m | 10% 2.500.000 |
| Next IDR 50m | 15% 7.500.000 |
| Next IDR 100m | 25% 25.000.000 |
| More than IDR 200m | 35% 209.645.100 |
| Total tax payable | 245.895.100 |

Basis of taxation

Charge to tax

Indonesian residents are taxed on worldwide income for their period of residence, whilst non-residents are generally taxed on Indonesian income only.

Residence

Expatriates who are physically present in Indonesia for more than 183 days in any 12 month period, or who intend to reside in Indonesia, will become tax resident of Indonesia from their first day of presence within that relevant 12 month reference period (i.e. tax residence status applies retrospectively). The number of days is counted from the date the expatriate arrives in Indonesia as shown in his/her passport.

Income from employment

Taxable income from employment includes salaries, wages, bonuses, a lump sum payment, or other benefits provided by an employer in the form of cash payments. Remuneration made outside Indonesia but charged to the Indonesian employer is also subject to Indonesian income tax.

Source of employment

Employment compensation is deemed as Indonesian sourced where the services are performed in Indonesia.

Benefits (in kind)

Whether benefits in kind; such as housing provided by the employer, school fees for children and medical expenses; are subject to income tax for expatriates depends on the kind of business the employer is in.

If the employer is not subject to corporate income tax (for instance a representative office) or subject to final corporate income tax (for instance an office space rental employer), the benefits in kind have to be added as additional salary for the expatriate.

For employers subject to corporate income tax, benefits in kind are not subject to income tax for the expatriate, but they are regarded as non-deductible expenses for the employer.

Expatriate concessions

There are no expatriate concessions in Indonesia.

Relief for foreign taxes

Indonesian tax residents are given credit for foreign tax paid on foreign sourced income. In general terms, the tax recognised in Indonesia will not be more than the effective tax rates applicable to the expatriate concerned.

Deductions against income

The following amounts are regarded as annual tax free income for every taxpayer including expatriates:

| Allowance rupiah (IDR) | |
|--------------------------------|------------|
| Single person or married woman | 13,200,000 |
| Married gentleman | 14,400,000 |
| Married gentleman: | |
| • with 1 child | 15,600,000 |
| • with 2 children | 16,800,000 |
| • with 3 children (max) | 18,000,000 |

Other allowances which can be deducted from the gross income of an expatriate is tithe (zakat) for Moslem people. Such allowances must be proved by a receiving slip issued by a religious body recognised by the Indonesian government. In addition to the above allowance, expatriates are entitled to a functional allowance of five per cent from the gross salary with a maximum of IDR 1,296,000 per annum.

What taxes?

Capital gains tax

Gains from the disposal of listed shares are subject to final tax at 0.1% of the gross proceeds (plus 0.5% of IPO price if founders' shares), while gains from the disposal of unlisted shares are subject to ordinary income tax. Disposal of land and buildings is subject to 5% final income tax on the gross selling price. Minimum selling prices for land and buildings are determined by the government.

Inheritance, estate & gift taxes

There are no inheritance, estate and gift taxes in Indonesia.

Investment income

Generally, investment income is aggregated with other types of income and subject to tax based on the tax rates set out above.

Some kinds of investment are subject to final income tax:

- interest derived from bank deposits is subject to 20% final income tax
- rent income from land and/or buildings, including office space, is subject to 10% final income tax.

Local taxes

There are no local taxes imposed on the income of expatriates in Indonesia, but expatriates have to pay expatriates' tax to the local government. The amount is immaterial.

Real estate tax

Real estate tax does not apply to expatriates in Indonesia.

Social security taxes

Social security coverage is compulsory for all Indonesian employees. Expatriates have the option to enrol in the social security system.

Stock options

Gains from stock options are subject to individual income tax at the same tax rates noted under the facts and figures section.

Wealth tax

There are no wealth taxes in Indonesia. However, tax on land and buildings is imposed on expatriates (also companies) who possess land rights and/or buildings.

Other specific taxes

Indonesian tax residents, including expatriates, are subject to fiscal (exit) tax when departing Indonesia by air, land, and sea at IDR1,000,000, IDR500,000 and IDR200,000, respectively. The fiscal exit tax may be used as credit against income tax due at the end of the year subject to certain requirements. Also, certain exemptions may apply.

Tax planning opportunities

Tax planning opportunities on certain areas are available to expatriates in Indonesia.

For further information on expatriate tax services in Indonesia please contact:

Neil Vigo
E nvigo@gthendrawinata.com

Iran

Every foreign real person is subject to tax for income he/she earns in Iran. This is mostly salary income earned in Iran by expatriates.

Expatriates visas and work permits are issued subject to presentation of tax settlements from relevant authorities.

Expatriates are taxed based on deemed salaries.

Deemed salaries are defined by tax authorities based on position, nationality and similar criteria.

Facts and figures

Pre arrival procedures

Visas and work permits are required for most expatriates.

Employment visas

Please contact Iranian embassy in your country for visa procedures and other requirements.

Tax year

Tax year usually starts on March 21st.

Tax returns and compliance

Payrolls must be submitted monthly by the relevant employer.

Expatriates are not required to file separate tax returns under normal circumstances.

Income tax rates

There is an annual exemption of Rls. 66,000,000

Tax rates start from 10% for lower ranges and increase progressively to 35% for annual salaries over Rls.1,066,000,000

Please go to: www.rymand.com/Bulletins>>
Latest Information Concerning Minimum Wage, Social Security Premium and Salary Tax for further information.

Sample income tax calculation

| | R1s |
|--|---------------|
| Annual salary (deemed) | 800,000,000 |
| Car allowance (10% of deemed salary) | 80,000,000 |
| Housing allowance (25% of deemed salary) | 200,000,000 |
| Total Income | 1,080,000,000 |
| Less: Exemption | (66,000,000) |
| Taxable income | 1,014,000,000 |
| Taxes | 262,700,000 |

Basis of taxation

Charge to tax

Except for the exemption stated above, the annual salary is subject to tax assuming no other deductions.

There are Double Taxation Avoidance Treaties with certain other countries, e.g., France and Germany.

Residence

Tax rates are the same for Iranian residents and non-residents

Income from employment

Please see (1) to (12) above



Source of employment

Under normal circumstances, the employer must prepare and submit the monthly payrolls, withhold and pay salary tax to its own tax district.

Benefits (in kind)

Benefits are included in the deemed salaries.

Expatriate concessions

Not applicable.

Relief for foreign taxes

Not applicable.

Deductions against income

Not applicable.

What taxes?

Capital gains tax

Not applicable.

Inheritance, estate & gift taxes

Not applicable.

Investment income

Not applicable.

Local taxes

Not applicable.

Real estate tax

Not applicable.

Social security taxes

Social security is not a tax; rather, it is an insurance premium.

7% of monthly salary is employee's share while 23% of monthly salary is employer's share. There are certain exceptions for expatriates.

Generally, social security premium of expatriates working in projects (contracts) is calculated based on the contract value after deducting relevant exemptions.

Stock options

Not applicable.

Wealth tax

Not applicable.

Other specific taxes

There are specific duties that must be paid by the employers to ministry of labour for expatriates' work permits.

Tax planning opportunities

Not applicable.

For further information on expatriate tax services in Iran please contact:

Homayoun Moshirzadeh
E moshir@rymand.com

Ireland

Expatriates taking up employment in Ireland will be subject to comprehensive rules and, in some cases, employment visa requirements. Grant Thornton Ireland's expatriate tax team can help expatriates and their employers to deal with Irish tax and employment visa requirements.

In particular Grant Thornton Ireland, a member firm of Grant Thornton International Ltd, can help expatriates and their employers to identify Irish tax planning opportunities, review tax equalisation policies; as well as providing compliance services regarding Irish tax filing requirements.

Facts and figures

Pre arrival procedures

Employers of non EU nationals are usually required to apply for a work permit prior to the employee taking up employment in Ireland. It is, therefore, important that the expatriate's employment contract and benefit package is structured tax efficiently before the contract is submitted to the Department of Jobs, Enterprise and Innovation in Ireland.

Employment visas

Under the work permit procedure the employer will be required to advertise the position in Ireland and the EU before the department will consider issuing a work permit to a non EU national where a suitable candidate cannot be found. A residence visa must also be acquired to allow the expatriate to live in Ireland.

Where the expatriate's spouse and family relocates to Ireland, relevant visas and a separate work permit (where the spouse will also work) will be required.

Where the expatriate is an EU national the above procedure is usually not required.

Tax returns and compliance

Most Irish national employees working in Ireland pay their tax through payroll withholding and are not required to file a tax return. However, foreign nationals on assignment to Ireland may have a more complicated tax position and may be required to file an Irish tax return even if their taxes are being paid by their employer.

Personal tax returns should be filed by 31 October following the end of the tax year concerned.

Tax year

The Irish tax year runs from 1 January to 31 December.

Income tax rates – resident individuals 2013

| Marital Status | Taxable Income (€) | Rate of Income tax |
|--|----------------------------|--------------------|
| Single | 0 – 32,800 | 20% |
| | 32,801+ | 41% |
| Married couple with one Income source | 0-41,800 | 20% |
| | 41,801+ | 41% |
| Married couple with two income sources | 0-41,800 with max increase | 20% |
| | of 23,800+ balance | 41% |



The Universal Social Charge (USC)

The USC came into effect on 1 January 2011, is a tax payable on gross income, including notional pay. All individuals are liable to pay the USC if their gross income exceeds €10,036 per annum. The USC will be collected through payroll in most cases. The standard rates of USC are:

- 2% on the first €10,036
- 4% on the next €5,980
- 7% on the balance.

Where the individual is not tax resident in Ireland, only the single person's standard rate band is available (aggregation relief may apply).

A married individual will be treated as a single person for Irish tax purposes where their spouse remains in their home country and continues to earn their own income.

Personal tax deductions, based on personal tax circumstances, apply to Irish tax residents.

Sample income tax calculation for year ending 31 December 2013

| Income | € | € |
|---|--------------|---------|
| Employment income | | 81,500 |
| Benefits Provided | Home | 3,750 |
| | Host | 23,950 |
| Gross Income | | 109,200 |
| Less allowances, reliefs and deductions | | |
| Pension contributions | | (4,075) |
| Taxable income | | 105,125 |
| Tax at | 32,800 @ 20% | 6,560 |
| | 72,325 @ 41% | 29,653 |
| | | 36,213 |
| Less: credits and reliefs | | |
| Personal allowance | (1,650) | |
| PAYE credit | (1,650) | (3,300) |
| Add: Universal Social Charge | 10,036 @2% | 201 |
| | 5,980 @4% | 239 |
| | 93,184 @7% | 6,523 |
| | | 6,963 |
| Add: PRSI | | |
| PRSI | 109,200 @4% | 4,368 |
| Total income tax USC & PRSI | | 44,244 |

Basis of taxation

Charge to tax

A charge to Irish tax is dependent on whether the income arises in Ireland and the extent of the charge will be determined by an individual's tax residency status.

Residence

Exposure to Irish tax will be determined by the expatriate's residence, ordinary residence and domicile status.

Tax residence in Ireland is determined by the expatriate's actual presence within a tax year. The expatriate will be treated as an Irish tax resident where:

- they spend 183 days or more in Ireland in any tax year, or
- they spend an aggregate of 280 days or more in Ireland over the course of two tax years where they will establish residence in the latter year (with a minimum of 30 days in each).

The term ordinary residence is distinct from residence and refers to an individual's pattern of residence over a number of years.

As mentioned above the concept of tax residence is considered in conjunction with the concept of domicile. The test for domicile is complex and based on substantial case law. Usually an individual will domicile in the country they are born in.

Income from employment

An Irish tax charge arises on employment income derived from duties performed in Ireland.

Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc. There is also a requirement on the expatriate's employer to deduct Irish payroll withholding tax from the assessable employment income.

There may also be a requirement on the expatriate's employer to deduct Irish payroll withholding tax from the assessable employment income.

Source of employment

As mentioned above, where duties are performed in Ireland, any remuneration received in respect of these duties is treated as Irish source income and subject to Irish income tax regardless of the expatriate's tax residence status (subject to the relevant double taxation agreement).

Benefits (in kind)

In general, where the benefit is enjoyed in Ireland, an Irish income tax charge will arise. Therefore, housing, meal allowances, provision of a car and relocation allowances will come within the charge to Irish income tax in addition to the individual's salary.

Expatriate concessions

An individual who is seconded to Ireland for a period of not greater than 2 years, may be able to receive tax free subsistence payments, subject to certain conditions.

Relief for foreign taxes

Where income has been subject to tax twice, in Ireland and a foreign jurisdiction, relief can be claimed where provided for in the relevant double taxation agreement. The USC may also be relieved under the double tax agreement. There are three reliefs that may be available:

1. Special Assignee Relief Programme (SARP)

This provides for income tax relief for individuals assigned during the tax years 2012, 2013 or 2014 to work in Ireland, subject to certain conditions that must be satisfied.

2. Foreign Earnings Deduction (FED)

This provides that for the tax years 2012, 2013 and 2014 employees who carry out part of their duties in certain specified states, may claim a tax deduction known as the FED subject to certain conditions.

3. Research and Development (R&D) credit

This supports the hiring and retaining of key employees. It allows a company to transfer the R&D credit to key employees where certain conditions are satisfied.

Deductions against income

Certain expenses can be provided by an employer free of income tax where they qualify as wholly, exclusively and necessarily incurred in the performance of the employment duties.

Contributions to an Irish Revenue approved pension scheme would be deductible from income – subject to specified limits.

What taxes?

Capital gains tax

This is a tax on gains arising on the disposal of assets.

The remittance basis of assessment may apply to the proceeds of foreign gains (i.e. non Irish gains), depending on an individual's residency and domicile status.

The current CGT rate is 33%.

Inheritance, estate & gift taxes

A liability to Irish inheritance and gift tax (capital acquisitions tax, CAT) depends on the individual's Irish tax residence and domicile position.

There is usually a requirement for a non Irish domiciled individual to have resided in Ireland for a certain period before a charge to Irish CAT arises.

Where the asset concerned is considered to be an Irish asset, a charge to Irish CAT will arise. The current CAT rate is 25%.

Investment income

The expatriate's Irish tax residency and domicile status will determine whether investment income such as interest, dividends etc, will become liable to Irish income tax.

Local taxes

There are no local taxes applied to an individual in Ireland, but there may be a requirement to settle council charges for water and refuse maintenance.

Property charges

1. The non Principal Private Residence Tax (NPPR)

This is a €200 annual charge on non-principal private residences in Ireland. It is payable by the owners to the local authority in whose area the property concerned is located. The charge is based upon the ownership and status of the property on the 31 March each year. The NPPR charge must be paid on or before the 30 June each year to avoid late payment fees. The payment can also be made online.

2. The Local Property Tax (LPT)

This property tax was introduced by Budget 2013 and is an annual self assessed LPT charged on the market value of all residential properties in Ireland. The tax rate will apply at a rate of 0.18% of the market value of the property up to €1,000,000. A rate of 0.25% will apply to the value in excess of €1,000,000. The first property tax return must be filed in May 2013 with the first 1/2 year payment due in July 2013.

Real estate tax

Stamp duty is the tax that functions as a real estate tax in Ireland. Stamp duty is applicable to any written document transferring property. As the sale of real property must be in writing, it always applies to transfers of real property. Stamp duty is levied on the consideration passing for the transfer of the land.

The rate of stamp duty applied depends on the level of consideration passing. The first €1,000,000 is taxed at 1% and consideration over €1,000,000 is taxed at 2%.

For non-residential property the rate of Stamp duty is 2%.

Social security taxes

Where duties are performed in Ireland, generally a charge to Irish social security (PRSI) will arise. The expatriate will be treated as an employee and will be subject to PRSI at 4% on gross employment earnings. The employer will also be required to contribute 10.75% of the relevant income and benefits to Irish PRSI.

PRSI must be collected at source along with payroll taxes.

Where the expatriate is transferring from an EU jurisdiction, and holds the relevant documentation, an exemption to Irish PRSI will apply (subject to the relevant time limits).

Where the expatriate is transferring from a jurisdiction outside the EU with which Ireland holds a bi-lateral agreement and the expatriate holds the relevant documentation; an exemption to Irish PRSI will apply (subject to the relevant time limits).

Where the expatriate is transferring from a jurisdiction that does not fall into one of the above categories, the Irish rules will determine their liability.

Stock options

Ireland generally 'attaches' the charge to tax according to the residence status of the expatriate at the time of the grant of the option. However, if the expatriate is non resident when granted options, they may still be liable to a charge at sale if they are resident in Ireland at that time.

With effect from 5 April 2007, individuals who are non Irish resident at the date of grant may now have a charge to Irish income tax at the date of exercise. The tax liability is calculated on the portion of the gain attributable to the performance of duties in Ireland. The tax liability (including the USC and PRSI) must be paid to the Irish Revenue within 30 days of exercise accompanied with a form RTS01.

Individuals who exercise share options are chargeable persons and therefore must submit a self assessment tax return to Revenue by 31 October following the year in which the options are exercised.

All share awards are subject to income tax, with the exception of share options are now subject to the PAYE withholding regime. In addition, PRSI and USC may apply.

Wealth tax

There is no wealth tax in Ireland

Other specific taxes

There are no other specific taxes relating to expatriates in Ireland.

Tax planning opportunities

Where a foreign employment continues to exist and part of the expatriate's duties are performed outside of Ireland, any employment income received in respect of the foreign duties will remain outside the charge of Irish tax, provided the income is not remitted to Ireland.

Prior Revenue approval may be required for this treatment to apply.

The Irish Revenue Authority has recently confirmed that certain travel expenses for short term expatriates can be paid tax free subject to certain conditions.

Most tax planning involves the structuring of employment arrangements to take advantage of various tax concessions. Grant Thornton Ireland's expatriate tax team can advise expatriates and their employers on these and related opportunities.

For further information on expatriate tax services in Ireland please contact:

Frank Walsh
E frank.walsh@ie.gt.com

Italy

Expatriates taking up employment in Italy will be subject to comprehensive rules and in some cases employment VISA requirements.

Bernoni Grant Thornton, with their professional and experienced team, can help expatriates and their employers in dealing with taxes and employment requirements in Italy.

In particular Bernoni Grant Thornton can assist the individual in identifying Italian tax planning opportunities, reviewing tax equalisation policies; providing immigration services and compliance services regarding the Italian tax filing requirements.

Facts and figures

Pre arrival procedures

Non EU nationals are required to apply for a work permit and report to the police in his or her place of residence in Italy. Similarly, their spouses and children are required to ask for relevant visas.

Where the expatriate is an EU, EEA and Swiss national the above is not required. An EU national that intends to reside and work in Italy for more than 90 days must register at the Anagrafe: Office of Resident Population.

Employment visas

Please refer to the section above.

Tax year

The tax year is the same as the calendar year.

Tax returns and compliance

Tax return filing due date: 30 September following the end of the tax year concerned. Penalties for late filing apply.

Income tax must be paid by 16 June for income earned in the preceding calendar year.

Most Italian employees working in Italy pay their tax through payroll withholding and are not required to file a tax return (exceptions apply). However, foreign nationals on assignment to Italy may have a more complicated tax position and may be required to file an Italian tax return even if their taxes are being paid by their domestic employer.

Income tax rates

The following are the rates of the personal income tax in Italy:

| Rate | Exceeding (€) | Not exceeding (€) |
|------|---------------|-------------------|
| 23% | – | 15.000 |
| 27% | 15.001 | 28.000 |
| 38% | 28.001 | 55.000 |
| 41% | 55.001 | 75.000 |
| 43% | 75.001 | – |

On the taxable income as calculated, the following taxes apply:

- additional regional tax at rates ranging from 1.23% to 2.03%
- additional municipal tax at rates ranging from 0% to 0.8%
- from FY 2011 to FY 2013 an additional 3% solidarity surtax is due when the taxable income exceeds €300,000. This surtax is deductible from the taxable income.



Sample income tax calculation

| | € |
|---|------------------|
| Employment income | 50,000.00 |
| Benefits provided | 9,500.00 |
| Less | |
| Social security contribution (employee charge) | 5,355.00 |
| Gross Income | 54,145.00 |
| Less | |
| Deductions (cadastral value of principal abode) | -500.00 |
| Taxable Income | 53,645.00 |
| Total gross income tax | 18,062.32 |
| Less | |
| Tax allowance (medical expenses, interest on mortgages, etc.) | -1,000 |
| Total income tax due | 17,062.32 |

Basis of taxation

Charge to tax

Individuals' taxation in Italy is determined by their tax residency status. An Italian fiscal resident is taxed on his worldwide income for the whole period of residency. A non-tax resident is taxed on Italian source income only. Italian source employment income for a non resident individual is subject to tax at an index rate as a resident.

Residence

Italian Tax code provides that an individual is considered as tax resident in Italy if for more than 183 days in a calendar year satisfies one of the following condition:

- he/she is registered at the Office of Record of the Resident Population in Italy (Anagrafe)
- his/her habitual abode is in Italy
- the centre of his/her interest is located in Italy.

The above-mentioned definition contained in the Italian Tax Code reflects an indicative definition of fiscal residence. Each case must be determined on its own facts and circumstances. The Italian Tax Authorities, in their interpretation of the residency rules, usually look at a number of factors in making a determination (acquisition of a dwelling, moving one's family, establishing social and economic ties, etc.)

Income from employment

The income derived from work performed for an employer is considered as employment income and it includes salary, wages, bonuses, commission, gratuities, allowances, shares and in general any compensations received in connections with the employment (cash or kind). In addition all the amounts received in consideration of or on termination of employment are also taxed as employment income.

Source of employment

A general rule provide the taxation of the remuneration for any work performed in Italy. Individual that are considered as non fiscal resident are taxed only on income employment that derives from services performed in Italy and pensions paid by the State or by an Italian resident. In this regard the regulation of the double taxation agreements between Italy and other countries may apply accordingly.

Benefits (in kind)

Benefits in kind are subject to tax in Italy and valued for tax purposes as the 'normal value' as defined from the law.

Under specific condition some benefits are partially or totally exempt from taxation.

Expatriate concessions

There are not specific concessions for expatriates. However, tax planning opportunities exist in the years of entering/leaving the country.

Relief for foreign taxes

Italian Tax Law provides a tax credit for taxes paid abroad on the income subject to double taxation. Relief can be obtained once the foreign taxes can be considered as definitively paid (no reimbursement is available).

Deductions against income

Individual tax reductions are provided for costs with a particular social relevance such as those paid for health reasons, for interests on house mortgages, or for education, the main are:

- mandatory social security contribution paid by the individual
- pension funds and life insurance premiums within specific limits.

What taxes?

Capital gains tax

In general capital gain or loss are equal to the difference between the sales proceeds and the purchase costs.

- capital gains deriving from a sale of non-qualified participations (under 20% of the share capital) are taxed at a 20% substitute tax rate
- capital gains deriving from qualified participations are ordinarily included in the individual personal tax base (so called IRPEF) for 49.72% of their amount (i.e. they are 51.28% exempt)
- capital gains originating from black-list countries are taxed 100%
- if the losses exceed gains the difference can be carried forward up to five years against future gains; this losses cannot be deducted against other sources of income in the relevant year.

Inheritance, estate and gift taxes

Inheritance and gift taxes apply in Italy with the following tax rates:

- 4% if the heir is the spouse or a direct relative in law (exemption threshold applies until €1,000,000 for each heir)
- 6% if the heir is a relative in law within the fourth degree, a direct collateral relative in law or a collateral relative in law within the third degree (exemption threshold applies until €1,000,00 for each heir)
- 8% in the other cases (no exemption threshold applies)
- inheritance and donation tax does not apply in case of 'family agreements' and in case of transfers of businesses where the counterparts are members of the same family, including the transfers of participations implying the acquisition of a controlling interest in the company. The exemption applies only if the business' activity is carried on during the five years following the transfer
- if immobile property are inherited or given as a gift, cadastral and mortgage taxes apply; the tax rate applicable is 3% unless the house is classified as primary house, in this case the two taxes are fixed at €168 each.

Investment income

Dividends and interest income are taxable in Italy on a cash basis (i.e. when received).

- dividends deriving from non-qualified participations are taxed at a 20% substitute tax rate. A non-qualified participation for unlisted companies is a participation that represents no more than 20% of the voting rights or 25% of the issued capital; for a listed company a participation representing no more than 2% of the voting rights or 5% of the issued capital
- 49.72% of the dividends deriving from a qualified participation taxed at the ordinary tax rate
- dividends from companies resident in tax havens are generally 100% taxable
- interest received by resident and non-resident tax payers are subject to a 20% final withholding tax. Interests derived from a bank or postal accounts paid to non-resident are exempt from tax
- royalties generated in Italy and received by resident tax payers are subject to tax at the ordinary rates; royalties generated in Italy and received by a non-resident are subject to a 30% withholding tax. The withholding may be applied at a lower rate if so provided for in any double taxation agreement between Italy and the recipient's residence state.

Local taxes

Additional Regional and Municipal Income Tax are due by the individual. The tax rates vary depending on where the individual is resident at 31 December. The additional regional tax rates range from 1.23% up to 2.03%. The additional municipal tax rates range from 0% up to 0.8%.

Real estate tax

A municipal tax on properties (IMU) will apply. The taxable base is the cadastral value and the tax rate ranges from 0.4% for the principal adobe up to 0.76% for other real estate. Each municipality can decide whether to increase or decrease the standard rates.

Rental income derived from real estate is taxed at ordinary rates; it maybe taxed at fixed rates (19% or 21%) if certain conditions are met.

Social security taxes

Individuals employed in Italy are required to contribute to the National Institute for Social Security (INPS) or to other mandatory institutes provided for in a specific sector. Social security contributions (SSC) are calculated on the gross salary of the employee and can range from 9% to 10%. Employers contributions range from 30% to 35% depending on the employee's level and on the employers' sector. Employees with no record of SSC before 1 January 1996 will pay SSC on a gross income up to maximum €99,034.

Different rates could be applied for SSC due from self-employment and executive levels.

Expatriates may qualify for exemption from SSC if they are eligible to opt for SSC in their state with which Italy has a social security agreement. Usually, this requires the filing of the A1 form with the Italian authorities.

Stock options

Stock options are subject to income tax at exercise on the excess of the normal value (as defined under Italian law) of the shares received over the price paid by the employee. The income generated from stock options is considered employment income.

Law provides that all stock options which are taxable as employment income at exercise are exempt from Italian SSC.

Wealth tax

Starting from FY 2012 Italy has introduced a new tax for financial investments held abroad by individuals who are tax resident in Italy; the tax base is the value of the financial asset at the end of the year. For FY 2012 the applicable rate is 0.1%. This rate increases to 0.15% in 2013 and onwards.

Italian law provides a tax on real estate held abroad by Italian tax residents. The tax base is equal to the purchasing costs or, if absent, to the market value. Specific rules apply to real estate located within the EU. The rate is in general equal to 0.76%. Should the tax amount be lower than €200, no payment is due. Tax credit for foreign wealth or property taxes can be obtained.

Other specific taxes

Italian tax resident must declare in the annual tax return all the investment, financial assets held outside Italy and all the transfer of cash to/from/in foreign country, if their total cumulative amount per year exceed €10,000.

Tax planning opportunities

| Earnings description | Planning possible |
|--------------------------|-------------------|
| Base salary | Y |
| Bonus | Y |
| Car allowance | Y |
| Club membership | N |
| Cost of living allowance | Y |
| Education/schooling | Y |
| Foreign service premiums | Y |
| Home leave | Y |
| Housing | Y |
| Moving expenses | Y |

For further information on expatriate tax services in Italy please contact:

Gabriele Labombarda

E gabriele.labombarda@gtbernoni.it.gt.com

Lorenzo Carminati

E lorenzo.carminati@bernoni.it.gt.com

Michele Beretta

E michele.beretta@bernoni.it.gt.com



Japan

Expatriates taking up employment in Japan will be subject to comprehensive tax rules and employment visa requirements. Grant Thornton Japan's expatriate tax team helps expatriates and their employers to deal with Japanese tax and employment visa matters.

In particular, Grant Thornton Japan, can help expatriates and their employers to identify Japanese tax planning opportunities, review tax equalisation policies; as well as providing compliance services regarding Japanese tax filing requirements.

Facts and figures

Pre arrival procedures

It is important that the expatriate's employment contract and benefit package are structured in a tax efficient manner before commencing work in Japan.

Employment visas

To quicken the visa process, prior to submitting their visa application, the employer or sponsor should obtain in advance a certificate of eligibility to enter Japan from the Immigration Bureau. If an expatriate's spouse and/or dependents relocate to Japan they will require dependent visas. If the expatriate's spouse also intends to work in Japan, they also must obtain the appropriate visa.

Tax year

The tax year in Japan for individual taxpayers is from 1 January to 31 December.

Tax returns and compliance

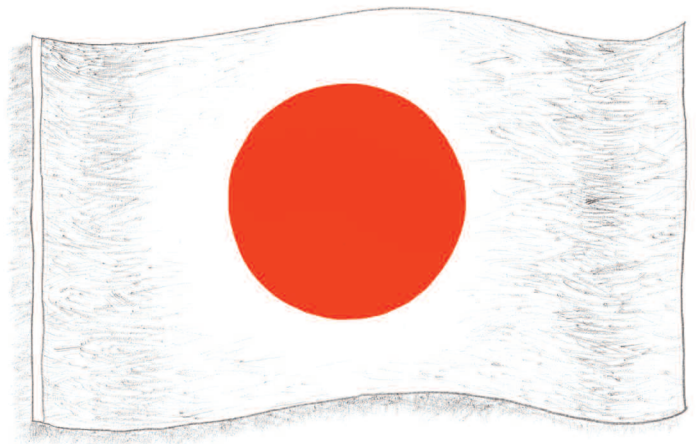
Tax returns and payments must be made by 15 March the following year (if 15 March is a holiday, then the first business day following). Extensions are not available. A flat 5% penalty is levied on the total tax amount for any tax returns filed after the due date, in addition to an interest charge at an annual rate of 4.3% for any tax owing.

Income tax rates

| National tax rates | |
|------------------------|-----|
| 1 – 1,950,000 | 5% |
| 1,950,000 – 3,300,000 | 10% |
| 3,300,000 – 6,950,000 | 20% |
| 6,950,000 – 9,000,000 | 23% |
| 9,000,000 – 18,000,000 | 33% |
| Over 18,000,000 | 40% |

Earthquake reconstruction income tax

In addition to the above national income tax, earthquake reconstruction income tax will be imposed at 2.1% on the income tax amount calculated by the above table from 2013 to 2037. Per capita levy of local inhabitant tax will be also increased by JPY 1,000 from 2013 to 2022.



Local inhabitant tax rate

In addition to national income tax, Japan's local inhabitant tax for a given tax year is levied on individuals who reside in Japan as of January 1 of the following year. The tax rate is a flat 10% of the taxable income amount as reported on the tax return. Per capita levy of JPY 4,000 is also imposed.

Sample income tax calculation

| Income | Year 2012 in ¥ | Year 2013 in ¥ |
|------------------------------------|----------------|----------------|
| Employment income before deduction | 28,592,111 | 28,592,111 |
| Standard deduction | (3,129,606) | (2,450,000) |
| Employment income | 25,462,505 | 26,142,111 |
| Total taxable income | 25,462,505 | 26,142,111 |
| Deductions | | |
| Spouse deduction | 380,000 | 380,000 |
| Dependent deduction | 380,000 | 380,000 |
| Basic deduction | 380,000 | 380,000 |
| Total deduction from income | 1,140,000 | (1,140,000) |
| Net taxable income | 24,322,000 | 25,002,000 |
| National income tax due | 6,932,800 | 7,356,100 |
| Local inhabitant tax due | 2,451,200 | 2,520,000 |

Reporting requirement for overseas assets

A permanent resident of Japan will be required to submit a report of overseas assets to the tax office by 15 March every year (or the next business day if 15 March falls on a weekend) if such assets are worth over JPY50M on the last day of the previous year. Those who do not file or file a false report may face imprisonment of up to one year. If taxpayers have previously unreported overseas income, then filing amended tax returns for last three years would be highly recommended before the tax authorities raise a challenge. The first due date of reporting is 17 March 2014.

Basis of taxation

Charge to tax

The scope of an expatriate's income subject to Japan income tax depends on the individual's tax residency status. A permanent resident, generally an individual who has lived in Japan for five or more of the past ten years, is subject to income tax at marginal rates on worldwide income. A non-permanent resident is subject to income tax at marginal rates on all Japan source income, and on any foreign source income brought, paid, or remitted into Japan. A non-resident is taxed on Japan source income only.

Residence

In Japan, all individuals fall within one of the following three categories of taxpayers: non-resident, non-permanent resident, or permanent resident.

A resident is any individual who has a domicile in Japan, has maintained a residence continuously in Japan for one year or more, or intends to reside in Japan for one year or more. Otherwise, the individual is generally considered a non-resident.

A permanent resident taxpayer is a resident who is either (a) a Japan national, or (b) a foreign national who has lived in Japan for more than five of the previous ten years. A resident foreign national who has not lived in for more than five of the past ten years is considered a non-permanent resident.

Income from employment

Salary paid by an employer based on services performed in Japan is considered Japan source income, even if the salary is paid abroad.

Therefore, non-residents are also subject to Japanese income tax on this type of salary and will generally have an obligation to file a tax return.

Bonuses paid in cash should be declared as an employment income as of the date received. Most fringe benefits are treated as compensation and included in taxable income. Fringe benefits paid by a Japan corporation or a branch or office in Japan are subject to withholding income tax at source. Fringe benefits paid by a foreign corporation or office are out of the scope of the withholding obligation and therefore must be declared on the tax return.

Source of employment

Japanese income tax arises on employment income derived from duties performed in Japan. Tax is assessed on all employment income, including all salary and wages, bonuses, overtime pay, gratuities, stock awards, and benefits.

Employment income deduction cap

Currently employees earning over JPY 10 million are entitled to a deduction from income equal to JPY 1,700,000 plus 5% of their compensation income. The deduction will be capped at JPY 2,450,000 for those earning over JPY 15 million from 2013 onwards.

Benefits (in kind)

Generally, benefits in kind or allowances paid to the employee for tax, utility expenses, medical expenses, car expenses, etc., are treated the same as salary income. However, Japan's income tax law specifies beneficial tax treatment of the following benefits providing certain conditions are met. An employment agreement properly structured with respect to these benefits can result in significant tax savings: residential accommodation, school fees, loans to employees or directors, language lessons, and insurance.

Change in the taxation of retirement income for directors

Certain payments received upon leaving an employer are considered as 'retirement income' and are taxed separately from bonuses and normal employment income. The taxation of retirement income is as follows:

Taxable income = (retirement income received – retirement income deduction) x 50%

The retirement income deduction is JPY 400,000 for each year of service up to 20 years and JPY 700,000 for each year of service over 20 years. This income is then taxed at progressive rates separately from other income.

However, directors who have fewer than five years' service will not receive the 50% reduction and the income will be calculated as:

Taxable income = (retirement income received – retirement income deduction)

This amendment will apply to retirement income received from 2013 onwards.

Expatriate concessions

There are no specific tax concessions for expatriates; however the correct structuring of housing and other benefits as part of the compensation package can result in significant tax savings.

Relief for foreign taxes

Where the same income has been subject to tax in both Japan and a foreign jurisdiction, relief from double taxation may be available through a tax treaty. In certain cases, Japan's domestic law allows a foreign tax credit only if the taxpayer is a tax resident of Japan both when the foreign source income was earned and also when the foreign tax on the income was paid.

Deductions against income

In addition to a personal deduction amount of JPY 380,000, income deductions may be available to individuals for the following:

- casualty loss (due to disasters or theft)
- medical expenses exceeding JPY 100,000 in a calendar year (including those paid outside Japan)
- donations above JPY 2,000 to qualified charities in Japan
- life insurance premiums paid in Japan
- earthquake insurance premiums paid in Japan
- Japan's social insurance premiums
- spousal deduction
- dependant deduction (for dependents 16 years old or older)
- allowance for a widow or widower.

What taxes?

Capital gains tax

Gains on sales of stocks and real property are taxed separately from other income. As noted below, taxpayers who are resident in Japan for tax purposes are subject to a slightly higher rate due to a local inhabitant tax component.

Capital gains on real property held for more than five years as of 1 January of the year of the sale are taxed at the long term rate of 20% (15% national income tax, 5% local inhabitant tax). Gains on real property held for a shorter period are taxed at 39% (30% national, 9% local).

Capital losses from the sale of real property can be deducted only from capital gains on real property. Capital losses on the taxpayer's principal residence can be carried forward three years. Otherwise, there is generally no carry forward of capital losses on real property for individuals.

Taxation of capital gains from the sale of foreign listed shares

The tax rate on capital gains from the sale of foreign listed shares is 20% (15% national, 5% local). However, the tax rate for the listed shares sold through a securities company located in Japan is reduced to 10% (7% national, 3% local) for disposals taking place by 31 December 2013 and will be back to 20% in 2014. For shares not sold through a Japan brokerage, the tax rate remains 20% (15% national, 5% local).

Capital loss from the sale of listed shares on or after 1 January 2009

A capital loss from the sale of shares can be deducted from any capital gains from the sale of shares in the same calendar year. If after making the deduction a capital loss still remains it generally cannot be deducted from other types of income. For example, you are not allowed to deduct the capital loss on the sale of shares from salary income. However, if the loss contains a capital loss from the sale of listed shares sold through a securities company located in Japan, this portion can be deducted from dividend income paid by listed companies if the 'Separate Taxation System' on dividends has been selected.

Carry forward of capital loss from the sale of listed shares

If a capital loss from the sale of listed shares through a securities company located in Japan remains after making the deductions mentioned in the previous paragraph, this deficit can be carried forward to the following three years by filing a tax return. The carried forward deficit will be deducted from capital gains arising from the sale of shares and dividend income paid by listed companies for the next three years. Please note that you need to file a tax return every year in order to apply this carry forward, even if you have no obligation to do so.

Inheritance, estate and gift taxes

Inheritance tax for non-Japanese nationals

Japan's inheritance tax (IHT) is based on the residence status of the beneficiary and/or the location of the assets inherited. Beneficiaries domiciled in Japan are subject to IHT on property they receive, while beneficiaries not domiciled in Japan are subject to IHT on assets inherited that are located in Japan. IHT is levied at progressive rates on the fair market value of the property inherited, less related expenses. Further deductions are allowed, depending on the status of the heir. A specific spousal allowance is also available. The net value of the inheritance is taxed as follows:

| Value of inherited assets | Tax rate | Deduction ¥ |
|---------------------------|----------|-------------|
| Up to 10m | 10% | – |
| 10m to 30m | 15% | 500,000 |
| 30m to 50m | 20% | 2,000,000 |
| 50m to 100m | 30% | 7,000,000 |
| 100m to 300m | 40% | 17,000,000 |
| Over 300m | 50% | 47,000,000 |

Gift tax

Japan's gift tax is an obligation for the recipient of the gift. The basic deduction is ¥1.1m every year

| Taxable income after basic deduction | Tax rate | Deduction ¥ |
|--------------------------------------|----------|-------------|
| Under 2m | 10% | – |
| Under 3m | 15% | 100,000 |
| Under 4m | 20% | 250,000 |
| Under 6m | 30% | 650,000 |
| Under 10m | 40% | 1,250,000 |
| Over 10m | 50% | 2,250,000 |

Investment income

A person who receives investment income in the form of interest, dividends, or royalties, is subject to withholding income tax at source if it is paid in Japan. Applicable tax rates differ depending on the tax resident status of the recipient, or the existence of a tax treaty between Japan and the investor's home jurisdiction. Generally, a tax rate of 20% applies unless a more beneficial tax rate is available under an applicable tax treaty.

Real estate tax

Fixed asset tax and city planning tax are levied by municipalities on land, buildings, and other depreciable property located in the municipality. The annual tax rates are respectively 1.4 and 0.3% of the assessed value of fixed assets.

Social security taxes

An employer (either a corporate entity or a sole proprietorship with five or more employees) with a Japan payroll is required to join Japan's social security plan, which is comprised of insurance components for health (and nursing care for employees ages 40 and above), welfare pension, employment, and workers' accident compensation. Both the employer and employee are required to contribute. Withholding rates for employees (employers) are, approximately, as follows:

| | |
|--|-----------------|
| Health insurance | 4.985% (4.985%) |
| Welfare pension insurance | 8.383% (8.383%) |
| Nursing care insurance (aged 40~65) | 0.755% (0.755%) |
| Employment insurance | 0.50% (0.85%) |
| Workers' accident compensation insurance | N/A (0.3%) |

Stock options

Stock options granted to an employee resident in Japan will be subject to tax in Japan. Non-qualified stock options are taxed as regular salary income at the date of exercise on the difference between the exercise price and the price at grant. Tax on capital gains made upon the sale of the stock will be levied on the difference between the sale and exercise price.

Qualified stock options (only applicable to stock of Japanese companies) are taxable only upon sale, with capital gains tax being levied on the difference between the sale price and the price at grant. A number of conditions must be met to qualify, including that the stock options be issued by a Japanese company.

Wealth tax

There is no wealth tax in Japan.

Other specific taxes

Permanent residents in Japan are taxed on their worldwide income. Non-permanent residents are taxed on their Japan source income in addition to any foreign source income remitted (or brought or paid) into Japan. This means that for non-permanent resident taxpayers, cash remitted into Japan will be taxed at Japan's marginal income tax rates if the taxpayer has any foreign source income in the same calendar year. Taxpayers with income from non-Japan sources should be aware of the tax implications when remitting any funds into the country.

Tax planning opportunities

Working outside Japan

An offshore compensation package is an important tax planning tool for non-permanent resident taxpayers who spend part of year on work assignments outside Japan. Having salary paid offshore allows the non-permanent taxpayer to exclude the income related to the periods spent abroad on business from Japan tax.

However, Japan's income tax law specifies beneficial tax treatment of the following benefits providing certain conditions are met.

An employment agreement properly structured with respect to certain benefits in kind, such as residential accommodation or children's school fees, can result in significant tax savings.

Other issues that should be considered are the tax implications of offshore or onshore compensation arrangements, the timing of compensation benefits and taxes, and special issues related to directors or senior officers, foreign entertainers, and athletes.

Grant Thornton Japan's Expatriate Tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in Japan please contact:

Soichi Hirose
E soichi.hirose@jp.gt.com

Tosh Kamii
E toshiya.kamii@jp.gt.com

Kazakhstan

Grant Thornton Kazakhstan specialises in providing client services at internationally recognised standards of practice.

Client service is based on continuous partner involvement from the inception until the completion of every single project, and managed with a primary focus on the needs of our clients.

Grant Thornton Kazakhstan is a member firm of Grant Thornton International and can provide an efficient match of resources to assignments. Clients can expect total transparency in terms of potential conflicts of interest. Our national team consists of highly qualified professionals with broad experience in tax, audit and advisory queries within different industries such as oil and gas, mining, financial institutions, retailing, pharmaceutical and others.

Facts and figures

Pre arrival procedures

In order to be granted residency and a work permit in Kazakhstan an individual from the EU/EEA has to apply to the Kazakhstan Embassy or consulate general in their home country before arriving in Kazakhstan.

A visa is required when an individual intends to be in Kazakhstan for a certain period of time. A work permit is to be obtained by an individual if they are planning to work in Kazakhstan.

An individual (expatriate) should register with the Kazakhstan tax authorities in the following cases:

- opening bank account in a Kazakhstan-resident bank
- receiving income from Kazakhstan sources not subject to withholding tax
- an individual is recognised as a tax or dependent agent
- purchasing a property in Kazakhstan, which is subject to property, vehicle and land tax
- an individual is recognised as a resident for tax purposes in Kazakhstan.



An individual becomes a resident for tax purposes in Kazakhstan if:

- they stay in Kazakhstan for a period not less than 183 calendar days within any consequent 12 month period ending in the current tax period
- if the centre of vital interests of an individual is considered to be in Kazakhstan.
n.b. The centre of vital interests of an individual is considered to be in Kazakhstan when all of the following conditions are met:
 - the individual has a citizenship in Kazakhstan or a permission to stay in Kazakhstan (residence permit)
 - family and (or) close relatives of an individual residing Kazakhstan
 - the presence in Kazakhstan of immovable property belonging to an individual and (or) their family members based on the right of ownership, or otherwise, available at any time for their residence and (or) for living in by family members.

Also an individual, along with obtaining a tax registration number, should obtain a registration certificate from the Kazakhstan tax authorities.

Employment visas

The Ministry of Foreign Affairs in Kazakhstan has developed new rules for issuing visas, No 8407, dated 10 April 2013.

As such new types of visa have been introduced:

- immigrant
- non-immigrant.

Non-immigrant visas include; diplomatic, on-duty (official), investment, business, missionary, tourist, private and transit

Immigrant visas are for permanent residence, family reunion, receiving education, etc.

Single, double and triple entry business visas can be issued for 90 days, with no longer than a 30 day stay with each entry.

Tax year

The tax year is considered to be the calendar year.

Tax returns and compliance

Income of employees of foreign employers without a permanent establishment in Kazakhstan and not considered as having vital interests in Kazakhstan are subject to individual income tax at 10%. In this case an entity receiving work or services from non-resident legal entity shall be liable to remit the taxes to the budget. An individuals income tax return is filed on a quarterly basis and the filing deadline is the 15th of the second month following the reporting quarter.

A tax return is filed by a non-resident individual on receiving income from Kazakhstan sources, not taxed by income tax no later than 31 March of the year, following the reporting year.

Income tax rates

The following tax rates are applicable to non-resident individuals:

| Type of income | Tax rate |
|--|----------|
| Employment income | 10% |
| Income of non-residents registered in a country with preferential tax regime | 20% |
| Premiums on contracts on insurance risks | 15% |
| Premiums on contracts on reinsurance risks | 5% |
| Income received from international transportation services | 5% |
| Income from capital gains, dividends, interest, royalties | 15% |
| Other non-employment income | 20% |

Sample income tax calculation

| Description | Amount in Kazakhstan Tenge (KZT) | Reference |
|--|----------------------------------|-----------|
| Personal income tax | | |
| Employment income for one month (salary) | 150,000 | A |
| Basic allowance (minimum monthly salary) | (19,966) | B |
| Taxable amount for one month | 130,034 | C=AB |
| Personal income tax | 10% | D |
| Income tax to be paid to budget | 13,003 | E=C*D |
| Net salary to be paid to employee | 117,031 | F=C-E |
| Social tax | | |
| Employment income for one month (salary) | 150,000 | G |
| Taxable income | 150,000 | F |
| Social tax | 11% | H |
| Social tax for one month to be paid to budget by employe | 16,500 | I=F*H |

Basis of taxation

Charge to tax

Non-residents are taxed on income received from Kazakhstan sources only, irrespectively of where the income is paid. Income is deemed to be from a Kazakhstan source if it is paid for work performed in Kazakhstan. Kazakhstan-source income also includes, but is not limited to, interest income from residents and non-residents having a permanent establishment in Kazakhstan and dividends from resident legal entities.

Residence

An individual becomes a resident for tax purposes in Kazakhstan if:

- they stay in Kazakhstan for a period not less than 183 calendar days within any consequent 12 months period ending in the current tax period
- if the centre of vital interests of an individual is considered to be in Kazakhstan.

The centre of vital interests of an individual is considered to be in Kazakhstan if all of the following conditions are met:

- individual has a citizenship of Kazakhstan or a permission to stay in Kazakhstan (residence permit)
- family and (or) close relatives of an individual residing Kazakhstan
- the presence in Kazakhstan of immovable property belonging to an individual and (or) their family members based on the right of ownership, or otherwise, available at any time for their residence and (or) for living in by family members.

Income from employment

Generally, all earnings from an employer to an employee are reportable and taxable as income from employment, eg salary, free meal, apartment and car rental, reimbursement of calls, sickness allowances, etc.

An employee as well as foreign employee has a right to deduct minimum salary from the gross salary when calculating the taxable base. For example, minimum salary considered as a personal allowance approximates USD 122 in 2013.

Source of employment

Generally in Kazakhstan, the source of employment is determined as the place in which the services are performed.

Benefits (in kind)

Generally in Kazakhstan, all fringe benefits, ie any remuneration in kind received by an employee from its employer are subject to taxation.

Expatriate concessions

There are expatriate exemptions in Kazakhstan. Dividends and interests on securities, which are registered at the stock exchange functioning on the territory of Kazakhstan on the date of their accrual, are subject for tax exemption. Another example is interests on government securities, agency bonds and capital gains from selling these securities. Capital gains from selling securities on stock exchanges functioning on the territory of Kazakhstan or foreign stock exchange are also subject for tax exemptions for expatriates.

Relief for foreign taxes

An individual (expatriate) may claim for foreign tax credit on income that has been taxed outside Kazakhstan, once the individual has provided evidence of the payment of income tax to a foreign jurisdiction.

Also the Kazakhstan government concluded conventions on avoidance of double taxation with more than 40 countries, which also makes it possible for certain exemptions from taxation.

Deductions against income

Generally, there are no deductions against income; however there are also certain expatriate tax exemptions not previously mentioned. Payments related to the shipment of goods into the territory of Kazakhstan within the framework of foreign trade activities (except services provided on the territory of Kazakhstan related to contracts on these foreign trade activities), income investment deposit in Islamic banks and others.

What taxes?

Capital gains tax

Capital gain occurs at the disposal of certain property and is defined as the positive difference between the disposal value and acquisition value of the property. Income from capital gain is applicable to the disposal of certain property registered in Kazakhstan, also to certain securities issued by Kazakhstan residents. Income received from capital gains is taxed at 15%. It is also possible to apply for certain exemptions stipulated by the local tax legislation.

Inheritance, estate and gift taxes

There is no gift or inheritance tax in Kazakhstan.

Investment income

Generally, it is closely related to capital gain tax section, hence please refer to the related section above.

Local taxes

In Kazakhstan local taxes constitute VAT, corporate income tax, individual income tax, social tax and others. The tax rates are the same between regions (states). Severe penalties and fees may be applied for non-payment and non-reporting.

Real estate tax

Legal entities generally pay 1.5%, which is applied to the tax base.

Individuals pay property tax depending on the monetary value of the property. The minimum rate for the property cost up to 1,000,000 tenge would be 0.05%.

The maximum rate, highly depends on the value of the real estate (if greater than 120,000,000 then it equates to 1% + 748,300 tenge).

Social security taxes

Social security charge is equal to 5%. This charge is paid along with social tax, ie social tax rate is 11% and social security charge is 5% (included in the 11%). Both social tax and social security charge are applicable to the salary of employees, including expatriates.

Stock options

Tax on stock options may be applicable once disposed with a mark up. The mark up will be subject to taxation as capital gains at the rate of 15%.

Wealth tax

There is no wealth tax in Kazakhstan.

Other specific tax

There are no other specific taxes that may apply to foreign individuals in Kazakhstan.

Tax planning opportunities

Generally, the tax planning measures for foreign individuals would depend on purpose and duration of the assignment to Kazakhstan. It may be done through direct employment, secondment arrangement, etc. Foreign individual should meet certain conditions mentioned in the above sections in order to eliminate a risk of creation of permanent establishment or additional tax liabilities.

For further information on expatriate tax services in Kazakhstan please contact:

Yerzhan Dossymbekov
E yerzhan.dossymbekov@gtkaz.com

Kenya

This fact sheet has been designed to provide employers with internationally mobile employees with an overview of the Kenyan tax system and planning opportunities.

Expatriates taking up employment in Kenya will be subject to our comprehensive tax rules and work permit requirements. We can assist expatriates and their employers in identifying Kenyan tax planning opportunities, reviewing tax equalisation policies and providing compliance services regarding the Kenyan tax filing requirements.

Facts and figures

Pre arrival procedures

The employers of non-Kenyan nationals are usually required to apply for a Work Permit prior to the employee taking up employment in Kenya. It is therefore important that the expatriate's employment contract is put in place and work permit application is processed by department of immigration in Kenya, in due time.

Employment visas

There are three types of visas in Kenya:

- ordinary – these are issued for single or multiple entries, to persons whose nationalities require visas to enter Kenya for visits or residence
- transit visa – these are issued for periods not exceeding three days to persons whose nationalities require visas to enter Kenya and who intend to transit through Kenya to a different destination
- courtesy/official – these are issued to persons holding official or service passports on official duty and to ordinary passport holders who are not entitled to a diplomatic visa, but where it is considered by the immigration department to be desirable on the grounds of international courtesy.

No visas are required for the following organisations, provided that the travellers are considered to be on 'official company business':

- European Union laissez-passers
- International Labour Organisation (ILO)
- International Monetary Fund (IMF)
- World Bank
- African Development Bank (ADB).

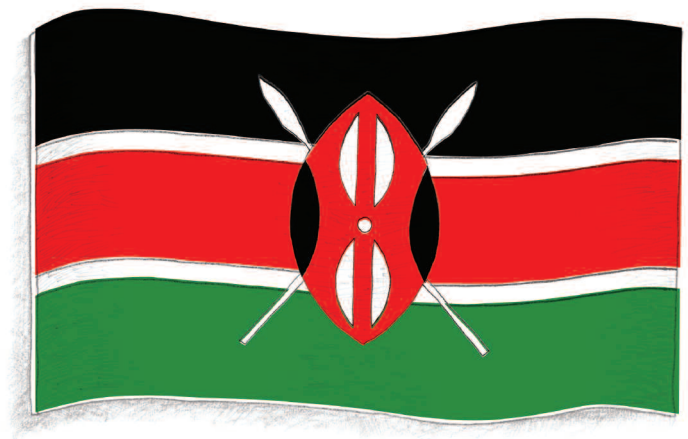
Work permits

There are many different classes of work permits in Kenya, dependant on the purpose or nature of employment being taken up.

A work or residence permit ceases to be valid if the holder fails to enter Kenya within 90 days from the date of issue, unless the period is extended by the authorities.

Where the holder of a work permit ceases to engage in employment, the employer specified in the permit must, within 15 days from the date of such cessation, report to the head of the immigration department that the holder has ceased to engage in such employment. An employer who fails to do so commits an offence.

No permit may be issued or renewed for a period exceeding five years from the date of issue or renewal.



Fees

The government fees for an employment permit have been revised from KES 100,000 per year to KES 200,000 per year, effectively doubling the cost of expatriate work permits. This includes those that were already been approved but not yet paid for.

The regulations are also introducing a new non-refundable processing fee of KES 10,000 for the expatriate work permits and other applications.

Special passes can now be issued for a period of up to six months. The fee has been revised from KES 25,000 for three months to KES 15,000 per month. As such, an applicant will be required to indicate the period the special pass is required.

Tax year

The Kenyan tax year runs from 1 January to 31 December.

Tax returns and compliance

Individuals who are non-residents of Kenya must file their tax return before end of June.

Payment of tax

Payroll tax namely PAYE, NSSF and NHIF are deducted monthly from the salary. These are deducted at source; and are remitted by the employer to the tax authorities.

Income tax rates

Non-residents are charged tax (PAYE) at 30%.

Sample income tax calculation

| Employment income | Amount in Kenyan Shillings (Shs) |
|--------------------------------------|----------------------------------|
| Basic pay | 50,000 |
| Add: car benefit | 2,000 |
| Add: mobile benefit | 1,000 |
| Total earned income | 53,000 |
| Less: NSSF (employee's contribution) | (200) |
| Chargeable income | 52,800 |
| PAYE: | |
| On income up to Shs. 38,893 | 6,761 |
| Shs. (52,800 – 38,893) x 30% | 4,172 |
| | 10,933 |
| Less: personal relief | (1,162) |
| PAYE | 9,771 |
| NSSF (employer's contribution) | 200 |
| NHIF | 320 |
| Net pay | 39,709 |

Basis of taxation

Charge to tax

Income tax is charged on all income of a person, whether resident or non-resident, which accrues in or is derived from Kenya.

Residence

An individual is resident for tax purposes in any particular year if:

- they have a permanent home in Kenya and was present in Kenya for any period in a particular year of income under consideration
- they have no permanent home in Kenya but:
 - were present in Kenya for a period or periods amounting in aggregate to 183 days or more in that year of income
 - were present in Kenya in that year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income.

A tax resident individual is liable to tax on their worldwide employment income, regardless of where this is paid or where the services were rendered.

Income from employment

It is the employer's duty to deduct and account for tax under the PAYE system.

Non-cash benefits received from employment, except where they do not exceed in aggregate KES 36,000 per annum, are generally taxable at the higher of cost or fair market value.

Expenditure on passages for an expatriate employee employed from outside Kenya, and by concession for his family, between Kenya and his home country is not a taxable benefit on the employee. This includes home leave passages.

The employment tax chargeable to employees is on a graduated scale rate depending on the employee's level of income as tabulated below:

| Monthly taxable pay (KES) | Annual taxable pay (KES) | Rate of tax (%) |
|---------------------------|--------------------------|-----------------|
| 0-10,164 | 0-121,968 | 10 |
| 10,165-19,740 | 121,969-236,880 | 15 |
| 19,741-29,316 | 236,881-351,792 | 20 |
| 29,317-38,892 | 351,793-466,704 | 25 |
| Over 38,892 | Over 466,705 | 30 |

Reliefs for PAYE purposes

| Type of Relief | Monthly limit (KES) | Annual limit (KES) |
|-------------------------------------|---------------------|--------------------|
| Personal relief | 1,162 | 13,944 |
| Insurance relief | 5,000 | 60,000 |
| Allowable pension fund contribution | 20,000 | 240,000 |
| Allowable HOSP contribution | 4,000 | 48,000 |
| Owner occupier interest | 12,500 | 150,000 |

Benefits (in kind)

Any benefits enjoyed by the expatriate in Kenya are subject to Kenyan PAYE tax. Therefore, housing, meal allowances, provision of a car and relocation allowances will come within the charge to Kenyan income tax in addition to the individual's salary.

The employer is liable to pay tax on benefits, which is then normally deducted from the expatriate's salary.

Expatriate concessions

If an expatriate performs duties for a regional office, 1/3 of the total employment income can be deducted from taxable income, provided:

- they are absent for an aggregate of 120 days or more in year of income
- they are employed by a branch of a foreign company
- the employer does not claim tax relief for this deduction from income
- passage to and from home country not taxable on employee provided the person is recruited outside the country.

Relief for foreign taxes

Tax relief, credits or exemptions will be available for income that has been taxed in a foreign jurisdiction but is also subject to being taxed in Kenya.

There are details provisions for bilateral relief under the double tax treaties in place (see below). Alternatively, credit will be given for tax deducted when declaring the income in question.

Tax treaties

In most of the countries income tax is to be imposed both on the world wide income derived by resident of the country and on the income derived by non-residents which arise in the country. Due to this, income derived by a resident of one country from a source in another country is subjected to tax in both countries.

A double taxation agreement is an agreement between two countries where income of particular nature will either be taxable in only one of the countries or may be taxed in both the countries with one of them allowing a credit for the tax imposed by the other.

Kenya has tax treaties with Canada, Denmark, Finland, France, Germany, India, Norway, Sweden, United Kingdom and Zambia.

Deductions against income

Registered pension scheme contributions and life insurance contributions are allowable expenses against the chargeable income. This relief will be obtained on the monthly PAYE paid by employer (details must be provided to the employer).

What taxes?

Capital gains tax

This is suspended as of present, and therefore will not apply.

Inheritance, estate and gift taxes

Not applicable.

Investment income

The expatriate's residency status for Kenyan tax purposes will determine whether investment income, both local and foreign, such as interest, dividends etc, will become liable to Kenyan income tax.

Local dividends are taxed at 5% and local interest at 15%. These are both final, unless the interest is from a non-qualifying source.

Local taxes

The following are all deducted from the employee's monthly salary:

- National Health Insurance Fund (NHIF)
- National Social Security Fund (NSSF)
- PAYE.

Real estate tax

Not applicable.

Social security taxes

NSSF contributions are at a rate of 5% of monthly income, subject to maximum of KES 200, payable by the employee and a similar top up by the employer.

NHIF rate contributions depend on the employee's total income which includes all allowances. Minimum contribution is KES 30 and maximum is KES 320. NHIF contributions are also applicable for casuals.

Stock options

An employee participating in a registered employee share ownership plan will be taxed at vesting on the difference between the offer price and the market value of the grant date as a benefit of employment.

Wealth tax

Not applicable.

Other specific taxes

Loans to employees

Loans given by an employer to his employees at zero interest rate or a lower rate than the 91 days Treasury bills will attract a tax payable by the employer. The benefit is captured as the difference between the average 91 days Treasury bill rate and the rate paid by the employees.

Industrial training levy

Employers are required to make a standard contribution of KES 50 per employee by the end of each month.

Tax planning opportunities

Contributions to a locally registered Pension and Provident Fund reduce tax liability (capped) Life insurance premiums to a locally registered insurance company reduce tax liability (capped).

For further information on expatriate tax services in Kenya please contact:

Parag Shah

E parag.shah@ke.gt.com

Linsey Adhiambo

E linsey.adhiambo@ke.gt.com

Sandip Jivan

E sandip.jivan@ke.gt.com

Korea

Expatriates taking up employment in Korea will be subject to the comprehensive tax rules and employment visa requirements. Grant Thornton's expatriate tax team can help expatriates and their employers in dealing with Korean tax and employment visa matters.

In particular Grant Thornton Korea can assist expatriates and their employers in identifying Korean tax planning opportunities, and provide compliance services regarding Korean tax filing requirements.

Facts and figures

Pre arrival procedures

Expatriates who require a work visa must apply for this before taking up employment in Korea. It is therefore important that the expatriate's employment contract and benefit package is structured in a tax-efficient manner before the contract is submitted to the Korean Immigration Department.

Employment visas

Under the requirements of the immigration authorities, expatriates taking up employment in Korea must apply for an employment visa before commencing employment.

If the expatriate's spouse and dependent family relocate to Korea, they will require dependent visas. It should be noted that spouses entering Korea on dependent visas are not normally allowed to take up employment in Korea and must apply for a separate employment visa if they wish to work in Korea.

Tax returns and compliance

There are two filing deadlines: 10 March for salary and wage income earners (employer's responsibility) and 31 May for individuals earning global income. Taxes are due by the respective dates mentioned above.

Tax year

The Korean fiscal year runs from 1 January to 31 December.

Income tax rates

Income tax rates for 2013.

| Taxable income (KRW) | Rate | Tax amount (in%) |
|--------------------------|------|--|
| 0 – 12,000,000 | 6% | |
| 12,000,001 – 46,000,000 | 15% | 720,000 + 15% of the excess over 12m |
| 46,000,001 – 88,000,000 | 24% | 5,820,000 + 24% of the excess over 48m |
| 88,000,001 – 300,000,000 | 35% | 15,900,000 + 35% of the excess over 88m |
| Over 300,000,000 | 38% | 91,000,000 + 38% of the excess over 300m |

The resident surtax (10% of the income tax amount) will be added to the above individual income tax.

Sample income tax calculation

The below sample calculation assumes that:

- exchange rate: 1050 KRW/USD
- dependent: wife and two children (elementary students)
- company house & car expense provided by the company
- compensation.



| | USD | KRW |
|---------------------------------|-----------|---------------|
| Basic salary | 150,000 | 157,500,000 |
| Company house * | 90,000 | 94,500,000 |
| Holiday travel | 20,000 | 21,000,000 |
| Utility (reimbursement) | 12,000 | 12,600,000 |
| Medical benefit | 12,000 | 12,600,000 |
| Car expense * | 18,000 | 18,900,000* |
| Child education (reimbursement) | 25,000 | 26,250,000 |
| Total | 327,000 | 343,350,000 |
| Company house & car expense | (108,000) | (113,400,000) |
| Total compensation | \$219,000 | W229,950,000 |

*These are not individual compensation but company expenses, so these amounts are not included in the total amount of individual compensation.

Tax calculation

- Method 1: graduated tax rate application
- Method 2: tax rate of 17% as a flat rate with no tax exemption/credit

| Method 1 | |
|---|--------------|
| Gross income | W229,950,000 |
| Non-taxable income | 0 |
| Taxable income | 229,950,000 |
| Deduction on salary & wage income | (21,997,500) |
| Basic exemption | (7,000,000) |
| Special deduction for education expense | (6,000,000) |
| Tax base | 196,952,500 |
| Tax rate (graduated rate) | 35% |
| Computed income tax | 53,333,375 |
| Income tax credit | (500,000) |
| Income tax | 52,833,375 |
| Resident tax | 5,283,370 |
| Total income taxes | W 58,116,745 |

| Method 2 | |
|-------------------------|--------------|
| Gross Income | W229,950,000 |
| Flat tax rate (17%) | 17% |
| Income tax | 39,091,500 |
| Resident tax | 3,909,150 |
| Total income taxes | W 43,000,650 |
| Lower of method 1 or 2: | W 43,000,650 |

Basis of taxation

Charge to tax

In general, resident individuals are taxed on their worldwide income. On the other hand, non-resident individuals are taxed only on Korean source income, which includes salary for work during their stay in Korea as an employee, regardless of where the payment is made. Effective from 1 January 2009, resident individuals who have stayed in Korea for five years or shorter during the last ten year period are taxed on Korea source income, but only if foreign source income is paid by a Korean entity or transferred to Korea.

Residence

A resident is any individual who has his or her domicile in Korea, or has a place of residence for one year or more in Korea.

Income from employment

Income from employment is subject to income tax. The definition of income for income tax purposes includes wages, salaries, bonuses, gratuities, benefits in kind and allowances if these are received as a reward for services. Wages and salaries income is divided into Class A salary income and Class B salary income depending on the source and payment method. For Class A salary income, the employer is required to withhold and pay income tax on a monthly basis and this should be settled in the year-end tax settlement, on a yearly basis. For Class B salary income, the taxpayer is required to file his own individual tax return on an annual basis, or alternatively, he or she may join a licensed Class B taxpayers association which withholds and pays income taxes on a monthly basis. Those who join an association are eligible for a 10% tax reduction.

Source of employment

Income from employment ordinarily has its source in the place in which the services are performed.

Benefits (in kind)

Most allowances for services are taxable. Non-taxable fringe benefits include the following:

- house rental, if the rental agreement is made between the employer and the landlord
- automobile, if owned or leased by the employer for business purpose
- meal cost of less than 100,000 Won per month.

Expatriate concessions

In accordance with the Korean Special Tax Treatment Control Law, a foreign employee can elect one of the following two incentives:

- a flat tax rate of 17% with no tax exemption, deduction, and credit.
- graduated tax rate after applying a 30% deduction of salary income discontinued from 1 January 2010, while a flat tax rate at 17% will apply.

With regard to the wages received by qualifying foreign engineers and technicians in accordance with Article 18 of the Special Tax Treatment Control Law of Korea, 50% of an individual income tax liability will be exempt for two years in case the concerned engineer or technician first commences to render services during the period from 1 January 2010 to 31 December 2014.

Foreign engineers should file a written application for tax exemption to the Korean tax authorities.

Relief for foreign taxes

For a resident in Korea, up to 1,000,000 Won (1,500,000 Won for overseas fishing ship sailor) of monthly receivables for services provided overseas is not taxable. For a non-resident in Korea, non-Korean source income is not taxable in Korea.

Deductions against income

A salary income earner is eligible to deductions on wage and salary income as follows:

| Wages and Salary (W) | Rate (%) | Cumulative deduction |
|------------------------|----------|---|
| up to 5,000,000 | 80 | 4,000,000 |
| 5,000,001-15,000,000 | 50 | 4,000,000 + 50% of the excess over W5million |
| 15,000,001-30,000,000 | 15 | 9,000,000 + 15% of the excess over W15 million |
| 30,000,001- 45,000,001 | 10 | 11,250,000 + 10% of the excess over W30 million |
| 45,000,001- 80,000,000 | 5 | 12,750,000 + 5% of the excess over W45 million |

Basic deduction

Residents are entitled to annually deduct an amount equivalent to one million Won multiplied by the number of persons in the taxpayer's family.

Additional deduction

When a person who qualifies for basic deductions (self, his/her spouse, dependents) falls under specified situations for e.g. handicapped persons, one million Won or two million may be deducted respectively.

Additional allowance for children

Residents who have two children as dependents deduct one million Won and additionally deduct an amount equivalent to two million Won multiplied by the number of children over two children (ie, one million for two children, two million for three children, and five million for four).

Special deduction

Wage and salary income earners may deduct qualifying expenses such as insurance premiums, medical expenses, domestically incurred educational expenses, donations and others from taxable income.

Tax credit for salary and wage income

The following amounts shall be credited against global income tax charged on wage and salary income. Where the amount of credit exceeds 500,000 Won, the credit is limited to 500,000 Won.

Total tax (KRW) amount of tax credit

Up to 500,000, 55% of total tax and above 500,000, ₩275,000 +30% of the amount over 500,000.

What taxes?

Capital gains tax

Gains arising from the disposal of capital assets are taxable, but are taxed separately from the aggregate income at a different tax rate. Certain capital gains resulting from certain transfers prescribed by the 'Individual Tax Law', such as the transfer of farmland, are exempt from tax.

Inheritance, estate & gift taxes

Where an inheritee or a donee is a resident in Korea at the time of death or donation, the estate or the gift tax would be imposed on all property whether located inside or outside Korea. Where an inheritee or donee is a non-resident, the estate or gift tax would be imposed on his/her property in Korea.

Investment income

Tax liabilities on investment income and dividends are finalised by the manner of withholding tax, unless a combined income of dividend and interest for a year exceeds 40 million won, in which case it is subjected to the aggregate income taxation.

Local taxes

Resident surtax is imposed on the income of individuals in Korea.

Real estate tax

A yearly tax ranging from 0.01% to 4% percent (and surtaxes) is charged on the statutory value of houses, buildings, land, vessels and aircrafts.

Social security taxes

This covers contributions towards employment insurance, national health insurance, national pension and industrial accident compensation insurance. For foreign employees, contribution towards the employment insurance and the national pension is dependent on the type of visa the foreign employee holds and, their nationality. The national health insurance and the industrial accident compensation insurance for foreign employees are compulsory.

Stock options

Expatriate employees, residents for Korean tax purposes, who join the stock option plan of the foreign parent company, should report their relevant income of the difference between the fair market value and the purchasing price at the time of exercise thereof to the tax office.

Tax planning opportunities

Grant Thornton's expatriate tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in Korea, please contact:

Dong-Bum Kim
E dongb.kim@dmgt.co.kr

Kosova

Kosovo's tax policies are streamlined and efficient and unlike many other countries in the region, it has a taxation system that is simple and that reduces the tax burden for individuals and businesses. Compliance is straightforward and taxes are few. Taxable persons are both residents and non-residents who receive income in Kosovo. The object of taxation for a resident taxpayer shall be taxable income from a Kosovan or foreign source, while a non-resident taxpayer will be taxable on Kosovo source income. Consequently, liability for taxes is incurred from the first day of work. The employer must withhold income tax on pay for expatriates as it does for the local workforce.

The tax, legal and outsourcing team can help expatriates and their employers in dealing with Kosovo tax, employment permits, different documentation requirements, as well as with Kosovo labour and social security issues. In particular assisting expatriates and their employers in providing working and residence permits, reviewing tax equalisation policies, tax calculation and providing compliance services regarding the Kosovo tax filing requirements.

Facts and figures

Pre arrival procedures

Kosovo has recently started to apply a visa regime for some foreign citizens. Foreign citizens are required to obtain a visa before entering Kosovo. In order to get a visa, foreign citizens must file, in advance, a request for appointment to the General Consulate of Kosovo in Istanbul. The request should be done via email and foreign nationals must apply in person. The application on distance through postal carriers is not available.

Visa applicants should submit the following documents:

- the original filled and signed application form (http://www.mfa-ks.net/repository/docs/Formulari_i_kerkeses_per_vize.doc). If applicant is a minor, the application form must be signed by parents or legal custodian
- passport (valid at least three months after the visa expiration date with at least two empty pages)
- one visa standardised photo (35x45mm)
- proof of purpose for visiting the Republic of Kosovo
- ticket reservation
- accommodation (hotel reservation or notarised letter of guarantee from the host in Kosovo)
- sufficient financial means to cover the expenses of stay in Kosovo (bank account statement for the last three months)
- health insurance (for medical coverage of at least €30.000,00)
- visa fee.



Employment visas

There is not a specific visa issued for employment purposes. The Republic of Kosovo issue the following types of visa:

- Air transit visa
- Entry visa.

Individuals, who are not citizens of Kosovo, but want to work in the territory of the Republic of Kosovo for a timeframe of less than three months will be granted an employment permit issued by the ministry of labour and social welfare and will be considered as residents for tax purposes.

The types of work permit can be:

Type A – issued to foreign citizens for not less than six months.

Type B – issued for foreign citizens to work in a appointed profession, in a definite geographical zone, to an appointed employer and is issued for a period one year.

Type C – issued for the resident foreigners in the Republic of Kosovo, who have held work permit type B and have a minimum three year continuous period of inhabitation. Work permit type C can be given to the foreign citizens to work in every activity and in the whole territory of the Republic of Kosovo, without appointed employer limitations. This work permit type can be utilised for a five year period of time.

Type D – (self-employment permit) given for the self-employed foreign citizens and limits their activity to a definite geographical zone. The duration of this work permit is one year with a right to renew.

Type E – (self-employment permit) given for the self-employed foreign citizens for every activity and without geographical limitation, that have taken work permit of consecutive of type, which the validity is a minimum of three years. This work permit is valid within the timeframe of five years.

Type F – (for students) given to foreign persons who study in Kosovo. This work permit is given for only half-time during the educational year and full time work during the recessional time off between academic year or semesters.

Type G – given to foreign citizens who invest in Republic of Kosovo and employ no less than two Kosovo citizens per every foreign citizen employed. The date of this permit is one year with a right to renew.

Type H – given to foreign citizens who have been equipped with consecutive permits of type G, where the validity has a minimal of a three year period. The work permit of type H is given for the timeframe of five years.

After obtaining the work permit a foreign citizen should apply for a residence permit in front of the Ministry of Internal Affairs.

Tax year

The Kosovo tax year is the calendar year and runs from 1 January to 31 December.

Tax returns and compliance

Each employer, or person required to withhold shall submit a statement of tax withholding and remit the amount of tax withheld within 15 days after the last day of each calendar month. Expatriates who do not have contracts with local employers are required to file and pay their own personal income tax on or before 31 March of the year following the tax period.

Income tax rates

The annual tax rates are as follows:

| | |
|---------------|---------------|
| €0-960 | 0% |
| €961-3000 | 4% |
| €3,001-5,400 | €81.60 + 8% |
| €5, 401- more | €273.60 + 10% |

The resident surtax (10% of the income tax amount) will be added to the above individual income tax.

Sample income tax calculation

| | |
|------------------------------------|-------------|
| Base salary | €1,000 |
| Taxable income: | €1,000 |
| Less: | |
| 5% pension contributions employee: | €50.00 |
| Base for income tax | €950.00 |
| Tax rate: | 0%: – |
| | 4%: €6.80 |
| | 8%: €16.00 |
| | 10%: €50.00 |
| Total income tax: | €72.80 |
| Total deductions: | €122.80 |
| Net salary payable: | €877.20 |

Please note that this calculation is only applicable for residents which are obliged to pay pension contributions.

Basis of taxation

Charge to tax

Resident individuals are taxed on their worldwide income, non-residents pay tax only on Kosovo source income.

Residence

An individual is considered a resident if:

- the person has a principal residence in Kosovo
- they are physically present in Kosovo for 183 days or more in any tax period.

Income from employment

Income from employment includes: income from wages, salaries and other forms of employment such as bonuses, commissions, and forgiveness of an employee's debt or obligation to the employer etc. Resident employers are required to withhold personal income tax on employee wages and remit to tax authorities on a monthly basis.

Source of employment

The source of employment income is deemed to be in Kosovo if the work was performed in Kosovo.

Benefits (in kind)

Generally, income tax charge in benefits has a different treatment for locals and foreigners. Benefits for foreigners are not subject of tax. Benefits for locals will come within the charge to local income tax in addition to the individual's salary, except the benefits stated in the law that do not exceed the limitation specified for each different category.

Expatriate concessions

The only concession for the taxation of foreigners is that foreigners do not need to pay personal income tax on the accommodation provided for them or on school fees. However, the employer must withhold 9% of the rent owed to the landlord of the employee's apartment. The employer must withhold income tax on pay for expatriates for Kosova nationals. The only difference is that there is no obligation to make the pension contributions for expatriates.

Relief for foreign taxes

The Kosovo government has introduced article 86 of law no. 03/L-222 to provide relief from double taxation in the absence of a treaty. The law provides that, where the existing tax laws relative to the international juridicial double taxation of in command capital of persons in the Republic of Kosovo do not address such taxation, the principles of the OECD (model tax convention on income and capital) shall apply, in order to avoid double taxation of such income and capital. The director general may issue public rulings, either in general or on a case-by-case basis, to supplement the provisions of existing income tax laws in accordance with this provision. However, upon entering a mutual tax convention with a contracting state, rulings under that article with respect to transactions between the Republic of Kosovo and that contracting state will no longer be authorised.

Deductions against income

A pension contribution of 5% withheld by the employer is deductible from the employee's gross salary. This is only applicable for residents that are required to pay pension contributions.

What taxes?

Capital gains tax

Gross incomes from capital gains refers to the gain that a taxpayer realises through the sale or other disposition of capital assets including real estate and securities. Realised capital gains are considered as taxable income and are taxed together with other income at 10% on a net basis. Capital losses shall be treated as ordinary losses. Losses can be carried forward for seven consecutive years.

Inheritance and estate taxes

Gross income includes every other form of income from whatever source, such as income from lottery wins or income from debt forgiveness, except those that are released from tax in compliance with the provisions of the law.

Monetary or other gifts received by residents shall be included in other income, if the value of such gift exceeds €5,000 in a tax period. Gifts, either monetary or in things, given between spouses, or by a parent to their natural born, or legally adopted, children, or by children to their parents are exempt from income irrespective to the amount or value of the gift. Gifts given for educational purposes are exempt from taxation so long as the gift is given in the form of tuition paid directly to an educational institution recognised by public law, irrespective to the relationship between the donor and recipient.

Investment income

Capital gains are subject to tax at the same rate as ordinary income. Refer to 'Capital gains tax' above.

Local taxes

Property tax is collected at local government level by the municipal assemblies and it is determined from each municipality.

Real estate tax

Municipal authorities levy rates on the occupation of real estate property. The rate is set on an annual basis between 0.15% and 1% of the market value of the property. In case of properties used as principal residencies, a €10,000 deduction will be allowed against the taxable value of the property. The tax rates range between 0.15% to 1% of the market value of the property for each of the following property categories:

- residential property
- commercial property
- industrial property
- agricultural property
- immovable abandoned property and uninhabited buildings.

Social security taxes

Currently, Kosovo has established one mandatory social charge in the form of pension contributions. Mandatory contribution for employees is 5% of their monthly salary, matched by another 5% contribution from their employer. Employees and employers may contribute more, voluntarily, up to a maximum of 15% of salary. Employers are required to properly calculate and pay the pension contributions no later than the 15th day of the following month. Please note that natural persons, who are not resident in Kosovo and do not have a permanent residence permit in Kosovo are not obliged to pay pension contributions.

Other specific taxes

An employer who is not the employee's principal employer shall withhold an amount equal to 10% of the wages for each tax period.

Tax planning opportunities

Based on Kosovo tax regulations, benefits in kind by employers to foreign employees are not subject to taxation. Tax planning opportunities are then to structure the salary in such a way to get maximum benefit from this.

For further information on expatriate tax services in Kosovo, please contact:

Maja Filipceva

E maja.f@grant-thornton.com.mk

Latvia

Latvia has a competitive system of Corporate Income Tax (CIT), as well as an attractive general CIT rate of 15%. However, the situation with employment taxes shows quite an opposite situation with an overall social tax rate of 35.09% and individual income tax rate of 24%. Therefore in order to pay the salary of €1,170 the total budget for the employee should be €2,119, as €949 will be paid in taxes (sample tax calculations can be found later in this document).

There are several ways to handle expatriates employment issues. One of them is to use the public resources and services, but this can end up with an impressive amount of time consumed and as such, not always the most efficient solution. Another way would be through professional advice. Grant Thornton Latvia provide an individual approach to clients as every situation is unique, especially concerning employment situations where many aspects need to be considered.

Another specific legal area in Latvia is obtaining the residence permit. The current legal regulation provides an opportunity to obtain a residence permit in Latvia for citizens from Schengen zone countries, which in fact, gives the advantage to move within the zone without having a visa.

The residence permit can be obtained when a person makes a certain investment in a real estate or a business (minimum limits of investments are set by the law). A big part of commercial activities carried out in Latvia is related to Eastern European countries where most countries are not the members of European Union (EU). The Latvian geographic position, historic experience and multinational approach make Grant Thornton Latvia able to serve clients in order to facilitate their business activities.

On 1 January 2014, Latvia join the Eurozone, which will facilitate the business activities with other European Union (EU) companies. The currency conversion rate set by the EU Council will be €1 = LUL 0.702804.

Facts and figures

Pre arrival procedures

A foreigner whose employment includes either short term or irregular stays in the Republic of Latvia has to receive a visa or temporary residence permit and work permit, if the foreigner's presence exceeds 90 days in a half year period. These rules also apply to foreigners who do not need an entry visa for the Republic of Latvia.

More detailed information can be found on the official web-page of The Office of Citizenship and Migration Affairs (OCMA). (<http://www.pmlp.gov.lv/en/>)



Employment visas

Citizens from the following countries may enter the Republic of Latvia without a visa and stay in Latvia for up to 90 days within a six-month period, counting from the day of entry:

1. EU, European Economic Area (EEA) and Swiss confederation citizens.
2. Citizens of countries whose nationals are exempt from having visa in the EU according to Council Regulation (EC) No 539/2001 of 15 March 2001.
3. Recognised refugees, stateless persons and other persons without a citizenship, who permanently reside in one of the EU member states and who hold a travel document issued by the member state (except Great Britain and Ireland).

| Employment rules for EU citizens and Third-country nationals | EU citizens | Third-country nationals living in EU | Third-country nationals not living in EU |
|--|--|---|---|
| Vacancy | The vacancy registration is not compulsory when employing EU citizens. It is possible to use several databases in order to search for employees and to spread information about vacant job positions. | In order to employ a third-country national, a vacancy has to be registered in the State Employment Agency system (database of job offers and CVs). Exceptions are determined by the Cabinet regulation no. 553. | In order to employ a third-country national, a vacancy has to be registered in the State Employment Agency system. Exceptions are determined by the Cabinet regulation no. 553. |
| Invitation | The invitation and its confirmation is not compulsory when employing EU citizen. | In order to employ a third-country national, the OCMA has to register and confirm the invitation. | In order to employ a third-country national, the OCMA has to register and confirm the invitation. |
| Residence permit | EU citizens who intend to live and work in Latvia for more than three months have to receive a registration certificate. The registration certificate is not required if the EU citizen is living in another EU member state and visits it at least once per week. | Third-country nationals can be employed if they have received a residence and work permit. Third-country nationals living in Latvia or in any other EU country have to submit the required documents to the OCMA. | Third-country nationals can be employed if they have received a residence and work permit. Third-country nationals who are not living in Latvia or another EU member state have to submit documents to receive a residence permit in the respective consulate or embassy of the Republic of Latvia. |
| Visa | EU, EEA and Switzerland citizens do not have to receive a visa in order to travel and stay in the Republic of Latvia. | Third-country nationals living in EU can be temporarily employed on the basis of a work permit issued in Latvia or another EU member state. Although in some cases it is required to have a visa. | Third-country nationals can be temporarily employed if they have received a visa and work permit. Third-country nationals who do not live in Latvia or another EU member state have to submit documents to receive a visa in the respective consulate or embassy of the Republic of Latvia. |
| Working in Latvia | EU citizens have to register as a taxpayer either independently or represented by the employer. Social guarantees are applied immediately but the tax reliefs of a payroll tax are applied only after receiving the status of residence. | Third-country nationals have to register as a taxpayer either independently or represented by the employer. Tax reliefs for payroll tax are applied only after receiving the status of residence. | Third-country nationals have to register as a taxpayer either independently or represented by the employer. Tax reliefs on payroll tax are applied only after receiving the status of residence. |

Tax returns and compliance

The tax due date in Latvia is 1 June of the following year. A foreign taxpayer (non-resident) will not be obliged to submit an annual tax return, with some exceptions. These exceptions include: while being a resident of another EU or EEA member state, a person has acquired more than 75% of their total income in Latvia (during a taxable year); a person wishes to apply the non-taxable minimum or is eligible for other tax relieves; a person has received some income from which the tax has not been withheld.

Tax year

The taxation period (one year) is the same as the calendar year.

Income tax rates

| | % |
|---|-------------------|
| Individual income tax from salary or other related income | 24% |
| Individual income tax from individual economic activity | 24% |
| Tax for income from capital, which is not a capital gain tax | 10% |
| Capital gain tax | 15% |
| Individual income tax rate (fixed rate) which can be applied in specific situations | 5% |
| License fees for the performance of separate types of economic activities | €43-171 per month |
| Income from the alienation of a forest growing on the property of a private person, for felling and the alienation of the timber obtained therein, as well as the compensation (support) amounts in respect to economic activity restrictions paid to the forest owners for whom the forest management is not the basic economic activity | 10% |
| Micro company tax (private person may register as a micro tax payer as well) | 9% |

Please note that this is a general overview of the income tax rates in Latvia. For more detailed information, i.e. limits and criteria for particular income tax rates, please contact SIA Grant Thornton Rimess in Latvia.

Sample income tax calculation

In the given sample calculation, the default monthly salary (gross salary) is €1,707 and the non-taxable minimum is €64 (the non-taxable minimum amount is set by the law).

Income tax calculation (IIT):

$1,707 - 187.77 (1707 \times 11\% (\text{employee's social security tax})) - 64 = €1455.23 \times 24\% (\text{IIT}) = €349.26$ (payable IIT)

Net salary calculation:

$1,707 - 187.77 (\text{social tax } 11\%) - 349.26 (\text{IIT}) = €1,169.97$ (payable net salary)

Employer's social security tax (24.09%)

calculation:

$1707 \times 24.09\% = €411.22$ (employer's social security tax)

The total amount of tax to be paid = 187.77 + 349.26 + 411.22 = €948.25

Basis of taxation

Charge to tax

Residents of Latvia pay tax from the income obtained in Latvia and/or foreign states during the taxation period.

Non-residents of Latvia pay taxes from income obtained in Latvia during the taxation period.

Residence

For the purpose of taxation a private person shall be considered a resident if:

- the registered place of residence of such person is the Republic of Latvia
- the stay in the Republic of Latvia is for 183 days or longer during any 12 month period beginning or ending in a tax year
- they are a Latvian citizen, who is employed in a foreign country by the government of the Republic of Latvia.

Income from employment

Income from employment includes all income received from an employer, eg, salary, wages, bonuses, commissions etc. Some types of income will not be included in the annual taxable income:

- funeral benefit, which is granted in the case of the death of an employee, the kin (immediate family) thereof, and the value of which does not exceed €214
- payments of compensation within the framework of the norms determined by laws and the cabinet, except compensation for unused leave
- compensation of the expenses from business trips in the amount determined by the cabinet or in the amount specified in the state in which employment or service duties are performed (if the place of work is located in another state)
- an award granted to an employee by the employer (also a certificate of gratitude, a certificate of honour, a thank-you certificate, a diploma, a medal, a memorial cup) which does not have a nature of remuneration, but the nature of moral appreciation
- benefit from the use of a passenger car belonging to an employer or at the disposal of an employer, if an enterprise tax for a passenger car is paid for such a passenger car in the month of gaining of the benefit.

If a Latvian employer employs a non-resident, then this employee is chargeable for income tax from the first date of employment.

The non-taxable minimum in Latvia is LVL 45 (€64.03) per month in 2013 and will be LVL 53 (€75) per month in 2014.

The non-taxable minimum and tax reliefs are not applied to non-residents, except for non-residents who are residents of another member state of the EU or a EEA state and in the taxation year have acquired more than 75% of his or her total income in Latvia.

Source of employment

The source of employment is a place in which the services are performed. If duties are performed in Latvia, any remuneration received in respect of these duties is treated as Latvia's sourced income and, therefore, subject to income tax of Latvia regardless of the expatriate's tax residence status (subject to a relevant double taxation treaty).

Benefits (in kind)

In general benefits are subject to income tax in Latvia. The employer is the one who is liable to pay the income tax from benefits.

Expatriate concessions

Not applicable.

Relief for foreign taxes

Double taxation will be avoided in accordance with the applicable double taxation treaties.

Deductions against income

Prior to imposing tax on income, the following expenditure of the payer shall be deducted from the amount of annual taxable income:

- the amount of state social security tax or payments similar in essence, specified in the regulatory enactments of other EU member states or EEA states
- expenditure for the raising of qualifications, education, for the use of health and therapeutic services and health insurance payments to insurance companies
- amount which in the form of donation or gift has been transferred to an organisation, which has been granted a public benefit organisation status
- royalty fees, the cabinet regulations determine the types, rates and procedures for the application of the referred to expenditure
- the payments made into the private pension funds, which do not exceed 10% of the annual taxable income of a person
- the payments of insurance premiums made in conformity with a life assurance contract (with accumulation of funds) to an insurance company, and which do not exceed 10% of the annual taxable income of a person.

What taxes?

Capital gains tax

The rate of tax for income from capital, which is not an increase in capital, shall be 10%. The rate of tax for an increase in capital shall be 15%.

Capital assets include:

- stocks, capital shares, co-operative shares, investments in a partnership and other financial instruments
- investment certificates of investment funds and other transferable securities which certify the participation in investment funds or in equivalent undertakings of collective investments
- debt instruments (promissory notes, certificates of deposit, short-term debt instruments issued by commercial companies) and other monetary instruments which are traded in money markets
- immovable property (including the acquisition rights of immovable property)
- an undertaking within the meaning of the commercial law of the Republic of Latvia
- objects of intellectual property
- investment gold and other precious metals, objects of transactions in the foreign exchange market or commodity exchange.

Income from capital which is not an increase in capital are:

- dividends which is income from capital shares or stocks of a capital company or co-operative shares of a co-operative company, or other rights not resulting from debt obligations to participate in the distribution of profits of such capital company or co-operative company
- income from investment of payments in private pension funds
- income from life insurance contracts entered into with an accumulation of funds, which is forming as a positive difference between the calculated insurance compensation or disbursed repurchase amount and all insurance premiums that have been paid during the period of operation of the insurance contract for such insurance contract
- income from individual management of financial instruments in accordance with the investor's authorisation (portfolio management service) which forms as a positive difference between the value of all those assets which the client – resident – has transferred to the manager of the portfolio during the period of operation of the investment management contract, the value of all those assets which the client has withdrawn from the investment portfolio during the operation of the contract or upon termination of the investment management contract, evaluating the assets according to the market prices on the day of transfer and withdrawal thereof.

Inheritance, estate and gift taxes

Income obtained as a result of inheritance, except royalties which are paid to the inheritors of the copyright, is not subject to income tax. In order to obtain a heritage, a state duty has to be paid (the amount of duty depends on several factors, including the value of a property). At the moment when the heritage is sold, in some cases capital gain tax may arise. Sale of an estate might be both taxable and non-taxable deal depending on different conditions. Gifts from private persons make a non-taxable income with some exceptions.

Investment income

See 'Capital gains tax' section.

Local taxes

There is a small additional taxes called commercial risk duty, which is applied within standard employment relationship. The goal of this tax is a defence of employed persons in the case of a bankruptcy of the company.

Real estate tax

The immovable property tax rates vary between 0.2% to 3% from the cadastral value of the immovable property. The tax rate exceeding 1.5% shall be determined only in a case if the immovable property is not maintained in accordance with the procedures specified by the law.

Social security taxes

An income derived from employment is subject not only to individual income tax, but also to social security tax. The overall rate of the social tax is 35.09% (divided in two separate rates 24.09% (employer's social tax) and 11% (employee's social tax)). An overall tax rate is 35.09% as mentioned previously. In fact, in the scope of a classic employment situation, an employer remains responsible for paying and calculating both social security tax rates. The division is invented for State Budget purposes and usually, self-employed taxpayers employed by foreign legal entities have to apply the social security tax at the 35.09% rate. Please see the sample tax calculation earlier in the document in order to understand the practical application of social security tax.

Stock options

If an employee receives company shares under a stock option scheme, this income is taxable with personal income tax of 24% (in 2013) and social tax of 35.09% (in 2013). Income from sale of these shares is taxable with capital gain tax at 15%.

Under conditions listed below, the income from received shares becomes non-taxable (only income from the sale of shares will remain taxable with 15%):

- the stock option plan has at least a three year holding period
- the employee has an employment relationship with the company throughout that period
- the employer has provided the state revenue service with statutory information on the terms of the plan.

Wealth tax

There is no wealth tax in Latvia.

Tax planning opportunities

There are several legal forms available for commercial activities. This would be the first step in order to ensure that the most reasonable tax regime is applied.

In regard to individual taxation there exist several tax regimes, they should be applied depending on the specifics of the forecasted activities.

For further information on expatriate tax services in Latvia, please contact:

Agnese Murniece

E agnese.murniece@lv.gt.com

Lebanon

This fact sheet has been designed to provide employers with internationally mobile employees with an overview of the Lebanese tax system and planning opportunities.

Expatriates taking up employment in Lebanon will be subject to comprehensive rules and in some cases employment visa requirements. Grant Thornton Lebanon can help expatriates and their employers in dealing with the Lebanese tax and employment visa requirements, as well as with the Lebanese labour and social security issues. In particular we can assist expatriates and their employers in identifying Lebanese tax planning opportunities, reviewing tax equalisation policies and providing compliance services regarding the Lebanese tax filing requirements.

Facts and figures

Pre arrival procedures

All foreign employees are required to apply for a work permit/visa except those of Syrian nationality. Thus it is important for the expatriate's employment contract to take into consideration tax laws in Lebanon.

Moreover entry is not granted to passports showing Israeli visas or stamps.

Employment visas

No special requirements for obtaining an employment visa/work permit, eg skills, education etc.

Visitor visas are generally issued for stays of up to three months.

Types of visas are: Lebanon airport transit visa, visitor's visa, business visa, tourist visa, student visa, employment and permanent residence visa.

Where the expatriate family, spouse or children relocate to Lebanon, relevant visas are necessary.

If a business visa then a sponsor is required.

Tax year

The Lebanese tax year runs from 1 January to 31 December. Companies can, with approval, use their own accounting fiscal year.

Tax returns and compliance

| Tax | Payment number | Tax rate | Tax base | Payment date |
|---|----------------|--------------------------|-------------------------|---|
| Payroll tax | 4 | brackets | Taxable payroll income | 15th January, April, July, October |
| Corporations | 1 | 15% | Net income | Before 31 May |
| Sole proprietorship | 1 | 4% to 21% | Revenues (Brackets) | Before 31 January |
| Partnership companies | 1 | 4% to 21% | Net income (Brackets) | Before 31 March |
| Offshore companies | 1 | 1,000,000 from 1,800,000 | Fixed | Before 31 May |
| Holding companies | 1 | 5,000,000 | Capital (Brackets) | Before 31 May |
| Management fees (affiliated Lebanese companies) | 1 | 5% | | Before 31 May |
| Rent revenue patent (affiliated Lebanese companies) | 1 | 10% | | Before 31 May |
| Capital gains tax | 1 | 10% on dividends | Capital gains/dividends | Varies with the type of entity/individual |
| Tax on interest (Banks & Bonds) | 12 | 5% | Interest expense | Monthly |
| Tax on interest (Others) | 4 | 10% | Interest expense | 15th January, April, July, October |
| VAT | 4 | 10% | Value added | 20th January, April, July, October |
| Stamp duty | 1 | 0.3% | Contract value | During 5 working days |

Penalties are applied for all late filing.



Income tax rates

Payroll tax is imposed on all wages, salaries and remuneration received in a preceding year after deducting the family allowance. The rates are as following:

| Taxable income (LBP) | Rate (%) |
|---------------------------|----------|
| 1 to 6,000,000 | 2% |
| 6,000,001 to 15,000,000 | 4% |
| 15,000,001 to 30,000,000 | 7% |
| 30,000,001 to 60,000,000 | 11% |
| 60,000,001 to 120,000,000 | 15% |
| More than 120,000,001 | 20% |

Non-resident tax is applied for all non-resident taxpayers. The income for services is subject to 7.5% and income for other activities is subject to 2.25%.

Sample income tax calculation

| Payroll tax: | LBP |
|-------------------------------|----------------------------|
| Basic salary /wage | 36,000,000 |
| Commissions | 6,000,000 |
| Bonuses, overtime, tips | 12,000,000 |
| Medical insurance | 4,800,000 |
| Food, coupon/uniform | 2,400,000 |
| Transportation (LBP 8000/day) | 2,400,000 |
| Total earnings | 63,600,000 |
| Less: | |
| Family allowance | 10,000,000 |
| Transportation (LBP 8000/day) | 2,400,000 |
| Food coupons/uniforms | 2,175,000 |
| Medical assistance | 2,000,000 |
| Net taxable income | 49,025,000 |
| | 6,000,000 @ 2% 120,000 |
| | 9,000,000 @ 4% 360,000 |
| | 15,000,000 @ 4% 600,000 |
| | 15,000,000 @ 7% 1,050,000 |
| | 19,025,000 @ 11% 2,093,000 |
| Total | 3,623,000 |

Basis of taxation

Charge to tax

Profits realised from activities in Lebanon are charged to tax regardless of the taxpayer's nationality or residency.

Residence

A tax resident is any individual that resides in Lebanon and has a registered number in the Lebanese Ministry of Finance. Any other individual that is resident in Lebanon that does not have a registered number in the Lebanese Ministry of Finance is treated as a non-resident and is subject to non-resident tax.

Income from employment

A Lebanese tax charge arises on employment income derived from duties performed in Lebanon only. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc.

When an expatriate is working in Lebanon and receives salary, they are directly chargeable for income tax. Thus the employer is required to deduct tax from the expatriate's salary.

Source of employment

Income tax in Lebanon is territorial in general. Only profits realised in Lebanon and income derived from an activity in Lebanon are subject to Lebanese income tax.

Benefits (in kind)

Benefits taxed include: commissions, bonuses, overtime, tips, medical insurance, clothing, food, insurance and travel allowance other than work purpose, transportation allowance in excess of LBP 8000/day, housing, etc.

The employer withholds tax; thus, they are required to deduct tax from the employee's salary.

Benefits exempt from tax are for example: family allowance, transportation (LBP 8000/day), food coupons, uniforms etc.

Expatriate concessions

Not applicable

Relief for foreign taxes

In some cases and upon agreements between the Lebanese Government and some other countries governments, double taxation can be avoided.

Deductions against income

As mentioned previously, benefits exempt from tax are for example: family allowance, transportation (LBP 8000/day), food coupons, uniforms etc.

The personal family allowance is LBP 10,000,000 for each employee in addition to LBP 7,500,000 for his non-working wife and LBP 500,000 for each child up to five children.

What taxes?

Capital gains tax

Gain on the sale of capital asset is subject to 10% tax.

Inheritance, estate and gift taxes

Inheritance tax

Tax rates on inheritance are:

- a fixed rate of 0.5% of the gross inheritance amount after deducting the amount of 40,000,000 LBP
- a proportional rate vary depending on the degree of relationship between the donor and the beneficiary after deducting family allowances.

Investment income

Income tax on the distribution of dividends at a rate of 10% of the dividend paid, tax on interest at a rate of 5% or 10%.

Local taxes

Stamp duty 0.3%.

Real estate tax

Real estate tax is calculated as follows:

- revenues received by the owner of the real-estate (-) deductible expenses paid
- no fixed rate for real-estate tax since it is calculated depending on the rental amount of this real-estate. The Ministry of Finance issues a yearly basic and complimentary schedule of taxes.

Social security taxes

Social security taxes/contributions have the following rates: family allowance contribution (6% paid by employer up to a ceiling of LBP 1,500,000), medical allowance contribution (7% paid by employer and 2% by employee up to a ceiling of LBP 2,500,000) and end of service indemnity contribution (8.5% paid by employer). Foreign employees are subject to family and medical allowance contribution, but cannot benefit from social security contributions.

Stock options

Not applicable

Wealth tax

Not applicable

Other specific taxes

Stamp duty 0.3%

Tax planning opportunities

Different legal companies' setups will enable to minimise higher bracket taxes.

For further information on expatriate tax services in Lebanon please contact:

Dr. Mowafak Al Yafi
E myafi@gtlebanon.com



Lithuania

Expatriates taking up employment in Lithuania will be subject to comprehensive rules as well as residence and work permit requirements. Grant Thornton Rimess' expatriate tax team can help expatriates and their employers in dealing with tax and obtaining necessary permit requirements in Lithuania.

In particular Grant Thornton Rimess can assist expatriates and their employers in identifying tax planning opportunities in Lithuania, reviewing tax equalisation policies and providing compliance services with regards to the tax filing requirements in Lithuania.

Facts and figures

Pre arrival procedures

In order to start working in Lithuania, an expatriate, other than a European Union (EU) citizen, requires a temporary residence permit and work permit unless the expatriate is exempted from the obligation to obtain the work permit in cases set by the legislation.

A citizen of an EU member state who has entered the Republic of Lithuania for residence, for a time period in excess of three months within half a year, shall be issued a certificate of the form established by the Minister of the Interior, confirming his right of residence in the Republic of Lithuania. EU citizens do not require work permits to work in Lithuania.

Citizens of European Free Trade Association (EFTA) countries that enjoy right of free movement of persons, are entitled to the same regime as citizens of the EU.

Employment visas

A work permit shall be issued to an expatriate taking into account the needs of the labour market of Lithuania and giving a priority to the citizens of the EU and Lithuania.

An expatriate, other than an EU citizen, who intends to work in the Republic of Lithuania, must obtain a work permit, except for the cases provided by legislation where the expatriate is exempted from the obligation to obtain a work permit. An expatriate must obtain a work permit before entering the Republic of Lithuania. A work permit may be issued if there is no specialist in Lithuania meeting the employer's qualification requirements.

A work permit shall be issued to an expatriate within two months for a period of up to two years, specifying the job and enterprise at which the expatriate will be employed. An expatriate who enters Lithuania to take up seasonal employment shall be issued a work permit for a period of up to six months.

Tax year

The tax year is the same as the calendar year.



Tax returns and compliance

A non-resident of Lithuania who received income from individual activities carried out from a fixed base must submit an annual income tax return and pay personal income tax, after the end of the tax period and before 1 May of the calendar year following that tax period.

A non-resident of Lithuania who during the tax period received income attributed to B class income (other than from individual activities carried on from a fixed base) must calculate income tax in respect of such income and pay it to the budget as well as file the respective income tax return not later than 25 days of receipt of the income.

When income is received from or through Lithuanian registered entities, income tax is deducted and paid to the state budget by those entities. When income is received from other individuals or foreign registered entities, then foreign residents must file individual income tax returns to the tax inspectorate of the place of residence or the place of work.

There are penalties for late filing.

Income tax rates

The standard income tax rate is 15%.

For distributed profits a 20% income tax rate is applied.

A 5% income tax rate applies to income on individual activities, for example production trade and most services, excluding income from intellectual professional activities and trade income in securities (including income from derivative financial instruments).

The income from activities specified by the legislation may be exercised under a business certificate that is subject to a fixed amount of income tax determined by individual municipality councils.

Sample income tax calculation

| Employee taxes (withholding) | Rate (%) | Amount € |
|--|----------|---------------|
| Income tax (on annual salary €10 000) | 15% | 1,500 |
| Health insurance contributions | 6% | 600 |
| Social insurance tax | 3% | 300 |
| Employer's taxes: | | |
| Social insurance tax | 30.98% | 3,098 |
| Contribution to the state guarantee fund | 0.2% | 20 |
| Total employer's costs | | 13,118 |

Basis of taxation

Charge to tax

The permanent residents pay personal income tax on their worldwide income.

Income tax for a non-resident of Lithuania will be payable on income from individual activities carried out from a fixed base in Lithuania, income received in foreign countries and attributed to the said fixed base as well as any income sourced in Lithuania and received other than through a fixed base, ie:

- income from individual activities carried on from a fixed base as well as income received in foreign countries and attributed to the said fixed base in Lithuania
- income sourced in Lithuania and received otherwise than through a fixed base, i.e.:
- interest
- income from distributed profits
- income from distributed profits and annual bonuses to the Board and Supervisory Council members
- income from the rent of immovable property located in Lithuania
- royalties
- income incidental to employment relations or relations in their essence corresponding to employment relations

- income from sports activities, including income connected directly or indirectly to those activities, irrespective of whether it is paid directly to a sportsman or a third person acting on behalf of the sportsman
- income from performing activities, including income connected directly or indirectly to those activities, irrespective of whether it is paid directly to a performing artist or a third person acting on behalf of the performing artist
- income from the sale or other transfer into ownership of movable property where such type of property is subject to legal registration under the legal acts of the Republic of Lithuania and where it is (or must be) registered in Lithuania, and also from the sale or other transfer into ownership of immovable property located in Lithuania
- compensations for violation of copyright or neighbouring rights.
- who is present in Lithuania permanently or with intermissions equal or exceeding, in total, 280 days within the tax periods following each other and in one of such tax periods his/her presence permanently or with intermissions become equal or exceeding 90 days in total
- who is a citizen of the Republic of Lithuania and receives remuneration under an employment contract or a contract in its essence corresponding to an employment contract or whose costs of living in another country are covered from the state budget or municipal budgets of Lithuania.

Income from employment

According to the tax legislation: income from employment relations, or relations in their essence, refers to income from a relationship where work is performed under an employment contract. It also includes any other activity carried out on the basis of legal relations substantially corresponding (by agreement concerning remuneration for work, workplace and functions, work discipline, etc.) to a relationship between an employer and employee created under an employment contract.

An expatriate, who is non-resident working in Lithuania, shall be immediately liable for income tax on limited number of income stated above, including income from employment relations or relations in their essence corresponding to employment relations.

An employer is required to deduct taxes applicable to employment source income from the expatriate's salary.

There is no a minimum salary below which income tax is not charged.

Residence

A permanent residency status for Lithuanian taxation purposes applies to an individual:

- who has a main permanent residence place in the territory of Lithuania within the tax period (i.e. calendar year)
- who's place of personal, social or economic interest within the tax period is more likely in Lithuania rather than abroad
- who is present in Lithuania permanently or with intermissions equal or exceeding, in total, 183 days within the tax period or any twelve-month period commencing or ending in the calendar year or commencing in one and ending in another calendar year

Source of employment

The source of employment in Lithuania is determined under the place in which the services are performed.

Benefits (in kind)

All the benefits received by an expatriate is subject to tax except for the benefits in kind clearly defined by the legislation (e.g. work instruments, clothes used for work duties).

The employer is liable to pay benefit tax.

The most notable tax exempt income includes:

- statutory compensations (eg business travel costs compensations), except for compensations for unused vacations and redundancy payments upon the termination of employment contracts
- certain life insurance payments and non-life insurance compensations.

Expatriate concessions

An expatriate non-resident in Lithuania is liable for a limited number of income sources.

Relief for foreign taxes

Income received by a permanent resident of Lithuania in a foreign country (either a EU member state or a country with which the Republic of Lithuania has concluded a treaty for the avoidance of double taxation), except for interest, dividends and royalties received in the said country, shall not be subject to income tax in the Republic of Lithuania (exemption method) where income tax or an equivalent tax has been paid on such income in that foreign country.

A permanent resident of Lithuania may deduct (credit method) from the amount of income tax calculated, the amount of equivalent tax paid in a foreign country on interest, dividends and royalties received in the said country, which is a EU member state and with which a treaty for the avoidance of double taxation has been concluded and brought into effect. These provisions shall apply only where documentary evidence is submitted concerning the income received during the relevant tax period in a foreign country and the amount of income tax or equivalent tax paid on such income.

If a permanent resident of Lithuania receives income in several foreign countries during the tax period, the amount of income tax to be deducted shall be calculated separately in respect of the income received in each country.

Deductions against income

When calculating the annual personal income tax amount of a Lithuanian permanent resident, only taxable income may be reduced by expenses incurred by an individual whose total amount during the tax year cannot exceed 25% of calculated taxable income, ie, life insurance contributions, pension contributions paid to pension funds and payments for studies can be deducted.

What taxes?

Capital gains tax

Capital gains on the disposal of a substantial shareholding in a company are taxed according to the general principals of income tax. This means capital gains are subject to 15% tax.

Capital gains are subject to a 15% tax on the sale or other transfer into ownership of movable property, where such type of property is subject to legal registration under the legal acts of the Republic of Lithuania and where it is (or must be) registered in Lithuania or from the sale or other transfer into ownership of immovable property located in Lithuania.

Inheritance, estate and gift taxes

Inheritance tax is levied on a beneficiary.

Residents pay the inheritance tax on all inherited property – immovable and movable property, money, securities, etc. Non-residents pay the inheritance tax on inherited immovable property located in Lithuania and movable property, which is subject to legal registration (e.g. a car).

The rate of inheritance tax must be calculated by applying the 70% value of the inherited property. The rate of the inheritance tax depends on the value of the inherited property. A property where the taxable value does not exceed LTL 500,000 (EUR 144,810) is subject to 5% inheritance tax rate. For a property where the taxable value exceeds LTL 500,000 (EUR 144,810) it is subject to a 10% inheritance tax rate.

Exemptions from inheritance tax apply when the taxable value of the inherited property does not exceed LTL 10,000 (EUR 2,896), and when the property is inherited by immediate family, this includes:

- spouses
- children (including adopted children)
- parents (including adoptive parents)
- guardians (custodians)
- wards (foster children)
- grandparents
- grandchildren
- siblings.

There is no separate gift tax – and as such, gifts are subject to 15% individuals' income tax. Income received as a gift from spouses, children (adopted children), parents (adoptive parents), brothers, sisters, grandchildren and grandparents is tax free, while gifts from other persons up to the value not exceeding LTL 8,000 (EUR 2,317) in the calendar year is not subject to tax.

Investment income

Investment income is taxed in Lithuania. The legislation does not provide for a definition of investment income but interest income, dividends, rents, profit on investment is subject to tax unless tax incentives apply. The below income is not subject to tax:

- interest on loans if the repayment commences no earlier than 366 days after the date of the loan
- income from the sale of movable property, if this property is registered in the Republic of Lithuania or the movable property is registered in the European Economic Area (EEA) and was purchased earlier than three years before its sale or other transfer of ownership

- income from the sale of real estate located in the EEA if real estate was acquired more than five years prior to its sale or other transfer of ownership
- income from the sale of securities, providing the securities are sold or otherwise transferred into ownership no earlier than 366 days after the date of their acquisition and the person in the last three years did not hold more than 10% of the shares of the entity, when securities were sold.

Local taxes

According to the law on charges, the municipalities may set a number of local charges, the most notable are for:

- permission for digging works in a public area of municipality
- permission to trade in public areas established by the municipality
- permission to install outside advertising
- permission to organise commercial events in public areas
- car parking
- animals keeping in residential houses
- permission to sell pyrotechnics.

Real estate tax

There are two different kind of real estate taxes:

- real estate tax (excluding land)
- land tax.

Real estate tax

Individuals owning real estate of commercial purposes, are liable to real estate tax at the rate from 0.3 to 3% of the real estate value. The specific tax rate is established by each of the municipality.

Luxury tax

If the total value of the real estate (including apartments, garages, farms, greenhouses, recreational buildings, fishery, civil engineering constructions and the like) owned by individuals exceeds LTL 1 million (EUR 289,620), then the excess value shall be subject 1% real estate tax. The taxable period is the calendar year and a tax return can be submitted and tax paid until 15 December of the current year. Note that land is not subject to luxury tax.

The non-taxable value up to LTL 1 million applies to the real estate, which is owned by family members or is acquired by them. The meaning of 'family members' includes: spouses, children (including adopted children) under the age of 18, living with their parents.

Land tax

Land taxpayers are defined as owners of private land situated in Lithuania, except forestry land. The taxable period is a calendar month and the tax rate varies from 0.01 to 4% of the market value of the land. The specific rate for each calendar year is established by the municipalities.

Social security taxes

Two kinds of social security taxes are provided by legislation: social security contributions and mandatory health insurance contributions.

State social insurance contributions are paid by:

- all public and private legal entities entitled to calculate, deduct and pay to the budget of the state social insurance fund state social insurance contributions for insured persons, for example employees, persons receiving authorship fee, sportsmen, etc.
- individuals who must pay individual state social insurance contributions – sole proprietorships, lawyers, legal assistants, notaries, members of a general partnership, members of a limited partnership, farmers and adult members of their household working on the farm, persons performing individual activities.

Health insurance is available to the following groups:

- persons insured by the state (retired persons, students, unemployed persons, etc.)
- persons paying contributions themselves or where a third party is paying contributions, for example work remuneration, authorship fee, individual activity income, etc.

Different social security taxes will apply to different type of income.

Stock options

Stock options are subject to tax in Lithuania at the rate of 15%. In some cases social security taxes will also apply.

Wealth tax

Wealth tax is applied to individuals owning real estate which value exceeding LTL 1 million (EUR 289,620).

Other specific taxes

Not applicable

Tax planning opportunities

- permanent residents benefiting from disposal of minor shareholdings (up to 10%) or transfer of real estate situated in EU
- if the permanent residents income is received in a foreign country, which is in the EU or a country that the Republic of Lithuania has concluded a treaty for the avoidance of double taxation (that has been brought it into effect), except for interest, dividends and royalties received in the said country, the said income is exempted from individual income tax in Lithuania.

For further information on expatriate tax services in Lithuania please contact:

Arūnas Šidlauskas
E arunas.sidlauskas@lt.gt.com

Macedonia

This fact sheet has been designed to provide employers with internationally mobile employees with an overview of the Macedonian tax system and planning opportunities.

Expatriates taking up employment in Macedonia will be subject to comprehensive rules and in most cases employment visa requirements. The tax, legal and outsourcing team can help expatriates and their employers in dealing with the Macedonian tax and employment visa requirements, as well as with the Macedonian labour and social security issues. In particular assisting expatriates and their employers in providing working and residence permits, reviewing tax equalisation policies and providing compliance services regarding the Macedonian tax filing requirements.

Facts and figures

Pre arrival procedures

Depending on the type of the Work Permit (WP) the Macedonian employers are usually required to apply for a WP prior to the employee/expatriate (each foreigner unless exempt with law or international agreement) taking up employment in Macedonia. The Employment Agency of Republic of Macedonia is the authorised institution for issuance, continuance and sub-traction of WP. The expatriate may perform only the work for which the WP has been issued. The expatriates that reside for 183 days or more in one 12 month period in the Republic of Macedonia, with or without interruptions, will be considered as residents for tax purposes.

Employment visas

The Government of the Republic of Macedonia determines the annual quote of employment of expatriates which annually must not exceed 5% of the employed population in the Republic of Macedonia. The quote does not include EU expatriates that have equality with the citizens of the Republic of Macedonia, based on reciprocity bilateral or multilateral agreement, neither for expatriates which are not required to have a WP in accordance with law. There are three types of WP: 1. Personal Working Permit; 2. Employment Working Permit; and 3. Permit for work. The difference between these three types of WP is the period for which they have been issued. The Personal WP is being issued from one up to three years or for an un-determined period. The Employment WP is generally issued for a period up to one year, and the Permit for work is issued for different time limits dependant on the purpose for which the permit has been issued. The family, spouse and children visas of an expatriate that already possess a WP, are necessary, but they have priority in their issuance.



Tax returns and compliance

The individuals who are Macedonian residents and those expatriates that have become Macedonian residents by residing in Republic of Macedonia 183 days or more, for tax purposes must file their annual tax return latest before 15 March of the year following the calendar year.

Payment of the Macedonian tax

The employer (the payer of the income) is obliged to withhold and pay personal income tax, on behalf of the employee during each separate payment.

Tax year

The Macedonian tax year is the calendar year and runs from 1 January to 31 December.

Income tax rates

The personal income tax rate in Macedonia is flat and it amounts 10%.

Sample income tax calculation

| | € |
|------------------------------|------|
| Employment Income per month: | 1000 |
| Tax at 10% | 100 |

Basis of taxation

Charge to tax

A charge to Macedonian tax is dependent on whether the income arises in Macedonia, and the extent of the charge will be determined by an individual's tax residency status.

Residence

Taxation of individuals in Macedonia is determined by their residency or the source of their earnings: Persons are considered as resident in Macedonia for Macedonian tax purposes if:

- they have their household in Macedonia or their main abode
- they carry on a professional activity in Macedonia unless this activity is carried on therein incidentally
- they have the centre of their economical interests in Macedonia
- they have resided on the territory of Republic of Macedonia for 183 days or more with or without interruptions for one period of 12 months.

Individuals that are Macedonian resident are taxed on their worldwide income and gains. Expatriates are only taxed on their income and gains realised in the Republic of Macedonia.

Income from employment

A Macedonian tax charge arises on employment income derived from duties performed in the Republic of Macedonia. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc.

Source of employment

As mentioned above, where duties are performed in the Republic of Macedonia, any remuneration received in respect of these duties is treated as Macedonian sourced income and therefore subject to Macedonian income tax regardless of the expatriate's tax residence status.

Benefits (in kind)

In general where the benefit is enjoyed in the Republic of Macedonia, a Macedonian income tax charge will arise. Therefore, housing, meal allowances, provision of a car and relocation allowances will come within the charge to Macedonian income tax in addition to the individual's salary.

Expatriate concessions

A tax exemption on the allowances paid to employees seconded to the Republic of Macedonia has been implemented under specific conditions.

Relief for foreign taxes

Where income has been subject to tax twice (in Republic of Macedonia and a foreign jurisdiction) relief can be granted by the Macedonian Revenue Authority in accordance with a signed Double Taxation Agreement (DTA).

Deductions against income

The Republic of Macedonia grants a large field of tax deductions. Income tax shall not be payable on income generated on grounds of:

- awards granted by the United Nations and other international organisations and awards granted for lifetime achievements in science, culture and sports
- scholarships and credits granted to pupils and students by state administration bodies and foundations in accordance with law and awards to pupils and students during compulsory practical work and training up to Denar 4,000 per month, as well as, awards to pupils and students won in competitions within the framework of the education system
- awards for sportsmen for achieved results in official international competitions and stipends for sportsmen

- business trips allowances (costs for transportation, accommodation and meals) granted for trips of state representations and sports clubs at official championships and other international competitions; business trip allowance, fieldwork allowance (accommodation, meals) or allowance for living separately from the family granted to employees in the lowest amount determined by the general collective agreement of the economy in the Republic of Macedonia, that is, to employees in the non-economy field in the amount determined by the regulation relatives to state administration bodies; allowances for using private vehicle for the needs of the employer in the amount of 30% of the price of fuel per litre used by the vehicle for each kilometer passed, but up to Denar 3,500 per month
- compensation to volunteers in accordance with the law on volunteering
- disability allowance, salary and pension for disabled persons
- child allowance and other social allowances for children determined by the law
- monetary compensation during unemployment, determined by law, compensation in case of death of an employee or a family member, up to the determined amount; compensation for suffered damages from catastrophes, up to the lowest amount determined by the general collective agreement of the economy in the Republic of Macedonia, that is, with regard to employees in the non-economy, in the amount determined by the regulations relative to the state administration bodies
- compensation for health insurance excluding salary compensation
- social assistance
- compensation for physical impairment
- compensation for damages on the basis of life and property insurance, if the insurance costs are covered by the insured
- interests from public loans; interests on bonds issued by the Republic of Macedonia and the local self-government units
- interests on saving deposits, current accounts and sight deposits
- alimony and compensations of damage on the basis of a court decision and compensation of damage caused by injury at work
- incomes from sale of reusable solid waste, generated by a natural person; incomes from sale of gathered medicinal herbs and wild fruits, generated by natural person
- monetary compensation granted to a national artist in accordance with the law on 'National Artists of the Republic of Macedonia' and monetary compensation granted to an artist and an expert associate in the field of protection of cultural heritage who acquired the pension right and is awarded one of the state awards
- severance pay for retirement in the amount of two average monthly net salaries per employee paid in the Republic of Macedonia in the last three months
- one-time allowance as a redundancy pay due to permanent engagement of workers, under the conditions and in the manner determined by law

- donations received in accordance with the law on donations and sponsorships in public activities
- salaries of employees at the taxpayer which is a user of a technological development zone, for a period of ten years as from the beginning of carrying out the activity in the zone, that is, as from the first month when the user pays salary regardless of the number of employees at the user, under the conditions and procedure determined by the law on technological industrial development zones.

What taxes?

Capital gains tax

In the Republic of Macedonia the following capital income is taxable:

- dividends and other income realised by participation in the gain of other individuals and legal entities
- interests on loans given to physical persons and legal entities
- interests on bonds or other securities
- interests on time savings deposits and other deposits.

The tax rate of 10% of the gain from capital applies.

Expatriate's capital gains are taxable if realised in the Republic of Macedonia unless the provisions of a DTA apply.

Capital gains

Capital gains shall refer to the income realised by the taxpayer through sales of securities, share of capital and real estate.

Capital gains shall be the difference between the selling price of the securities, the share of capital and real estate and the purchase price.

The base for the income tax on capital gains shall be the difference between the selling price of securities, the share capital and the real estate and the purchase price. The capital gains generated through sale of securities, share and real estate shall be included in the tax base in the amount of 70% of the difference.

In determining the base for computation of the tax on capital gains generated from sale of real estate, in addition to the gains, the value of the investments and the investment maintenance expenses shall always be taken into consideration.

Inheritance, estate and gift taxes

Inheritance and gift tax shall be paid for immovable property and for the right to usufruct and the usage of immovable property which the inheritors, ie the receivers of gifts inherit, ie receive on the basis of the law on inheritance, ie the gift agreement. Inheritance and gift tax shall be paid for cash, monetary claims, securities and other movable property if the market value of the inheritance, ie the gift agreement is higher than the amount of an annual average salary in the Republic of Macedonia for the previous year, according to the data from the state statistics office. The value of all gifts of the same type, received during one calendar year shall be considered one tax base.

Taxpayer of inheritance and gift tax shall be a natural person and legal entity – resident in the Republic of Macedonia that inherits property, as well as a natural person and legal entity that receives property as a gift, in the country and abroad. A taxpayer of inheritance and gift tax shall be a foreign natural person and legal entity – non-resident, for the immovable and the movable property it inherits, i.e. receives as a gift in the Republic of Macedonia.

Base for the inheritance and gift tax shall be the market value of the inherited, i.e. the property received as a gift, at the moment the tax obligation arises, reduced by the debts and the costs that are borne by the property which is the subject of taxation.

The rate depends on the order of succession. Beneficiaries who are first degree relatives are not taxable. Those who are second degree relatives are taxed at 2%-3%, and all others are subject to a 4%-5% rate.

A liability to Macedonian inheritance, estate and gift tax depends not only on the Macedonian tax residence position of the deceased/donor and of the beneficiary, but also on the Macedonian location of real estate and assets when the deceased/donor is not resident in Republic of Macedonia.

Investment income

See ‘capital gains tax’.

Local taxes

There is local tax in the Republic of Macedonia such as property tax.

Real estate tax

Income from property and property rights shall mean income earned by the taxpayer through lease or sublease of a land, residential or business facilities, garages, leisure and recreational facilities, equipment, means of transportation and other types of property. The taxpayer of income earned from property and property rights shall be a natural person that earns income from a property and property rights.

Base for computation of the tax shall be the net income received when the annual amount of the earned income in the taxable year is reduced by the costs for maintenance and management, annual depreciation and other costs necessary in earning the income. The costs referred to above shall be recognised at 40% of the income.

Instead of the standardised costs the actual costs incurred for generating the income shall be recognised to the taxpayer at its request, if it can support with documents.

If the property is subleased, the rental fee that is paid to the lessee shall be deducted from the rental fee paid to the taxpayer.

Income from property and property rights shall also include the values of all duties and services to which the lessee, that is the sub-lessee has committed to do on behalf of the lessee.

When establishing the tax base of the income tax on property income generated from renting furnished flats and offices, the wearing out of the equipment (furniture etc.) shall also be regarded as an expense. The expenses referred to shall be recognised in the amount of up to 30% of the gross income, and if the taxpayer can substantiate with documents that it incurred greater expenses than the standardised, its actual expenses shall be recognised.

Social security taxes

Employees are obliged to pay obligatory social security contributions on gross salary as follows:

- pension and disability social contributions 18%
- contributions for health insurance 7.3%
- contributions for employment 1.2%
- additional health contribution 0.5%.

The expatriates are also obliged to pay the obligatory contributions as the residents of the Republic of Macedonia, unless the law or the bilateral agreement foresees otherwise.

Stock options

The value of such a benefit in kind is taxable under income tax.

Wealth tax

There is no wealth tax in Republic of Macedonia.

Other specific taxes

No other specific taxes relevant for expatriates in Republic of Macedonia.

Tax planning opportunities

The tax planning involves the structuring of employment arrangements to take advantage of the relatively low flat personal tax rate (as compared to the EU member states). The Grant Thornton Macedonia legal, outsourcing and tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in Republic of Macedonia please contact:

Maja Filipceva
E maja.f@grant-thornton.com.mk



Malaysia

Expatriates taking up employment in Malaysia will be subject to Malaysian taxes and employment visa requirements. SJ Grant Thornton's tax team can help expatriates and their employers to deal with Malaysian tax compliance matters.

In particular, SJ Grant Thornton can help expatriates and their employers to identify Malaysian tax reliefs and review tax equalisation policies; as well as providing compliance services regarding Malaysian tax filing procedures.

Facts and figures

Pre arrival procedures

An expatriate who requires a work visa must apply for their visa before taking up an employment in Malaysia.

Employment visas

An expatriate taking up employment in Malaysia must apply for an employment pass before commencing employment. A local sponsor, who is usually the employing company in Malaysia, is required to support the application.

If the expatriate's spouse and children also relocate to Malaysia, they will require a dependent's pass.

Tax year

The tax year or year of assessment (YA) for individual tax runs from 1 January to 31 December. Malaysia adopts a current year basis of assessment. This means that income for the calendar year 2013 is taxable in the YA 2013.

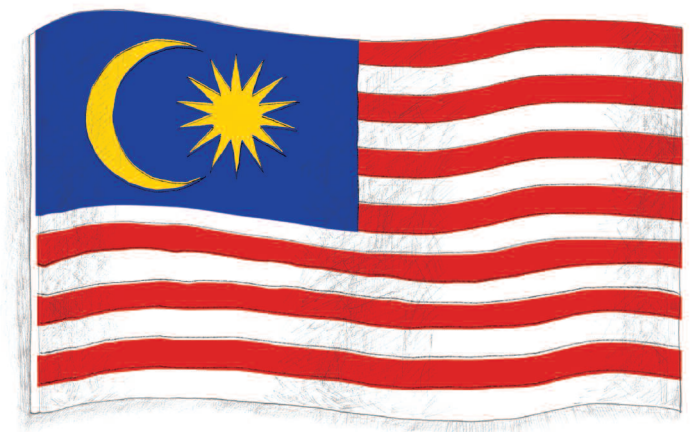
Tax returns and compliance

An employee has to file an income tax return by 30 April each year. There are schedular tax deductions (STD), i.e. pay-as-you-earn scheme, to be made by the employer for remuneration paid to an employee.

The employer is required to file a leavers form with the tax authorities no later than one month from the employee's expected date of departure. For tax clearance purposes, the employer is required to withhold monies due to the employee from the date of notification of departure from Malaysia.

Income tax rates – YA 2013

The tax is charged at progressive rates, ranging from 0% (for the first RM5,000) to 26% (for income exceeding RM100,000).



| | RM | RM |
|--|--------|-----------|
| Employment income | | 150,000 |
| Benefits in kind | | |
| Living accommodation (say 30% of the employment income) | | 45,000 |
| Motor vehicle (say) | | 7,000 |
| (A) Total income (including benefits in kind) = | | 202,000 |
| Less: Personal deductions | | |
| Personal relief | 9,000 | |
| Wife relief | 3,000 | |
| Employee provident fund and insurance premium | 6,000 | |
| (B) Total deductions = | 18,000 | |
| (A – B) = | | 184,000 |
| Tax on the first RM150,000 | | 26,850.00 |
| Tax on the balance of RM34,000 @ 26% | | 8,840.00 |
| Total tax = | | 35,690.00 |

Basis of taxation

Charge to tax

Income tax is charged for each YA on the income of any person accruing in or derived from Malaysia or received in Malaysia from outside Malaysia (foreign source income received in Malaysia is not taxed, with effect from YA 2004).

Residence

An individual is considered resident in Malaysia for the basis year for a particular YA if they are:

- in Malaysia for a period or periods amounting in total to 182 days or more
- in Malaysia for a period of less than 182 days, and that period is linked by or to another period of 182 or more consecutive days
- in Malaysia for a period or periods amounting in all to 90 days or more, having been a resident in Malaysia or in Malaysia for periods amounting in all to 90 days or more with respect to each of any three of the basis years for the four YA immediately preceding that particular YA
- resident in Malaysia for the basis year for the YA following that particular YA, having been so resident for each of the basis years for the three YA immediately preceding that particular YA.

Income from employment

The definition of employment income for tax purposes includes any wages, salaries, remuneration, leave pay, fee, commission, bonuses, gratuities, perquisites and allowances in respect of having or exercising the employment.

Also includes any benefit, amenity or living accommodation provided to the employee, contribution made by an employer to an unapproved pension or provident fund and any amount received by way of compensation for loss of employment.

It is mandatory for an employer to deduct tax from the monthly remuneration of each of the employees, both locals and expatriates for remittance to the Malaysian Inland Revenue Board (MIRB). The deduction would be based on the STD issued by the MIRB. STD will be treated as a tax credit against the tax liability of the employee or expatriate. Non compliance with the STD rules by the employer will be subject to a maximum fine of RM1,000 or a maximum prison sentence of six months or both. Perquisites from employment or benefits in kind are also subject to STD.

Source of employment

The source of remuneration for services rendered is generally the place or location where the services are performed. The place where the remuneration is payable or the place where the contract is signed is not relevant.

Where an employer outside Malaysia sends an employee to Malaysia to render services, the employee is taxable in Malaysia, notwithstanding that the employer is overseas, or that the employee's remuneration is paid outside Malaysia and is not received in Malaysia. In this case, the employment income is derived from a Malaysian source.

Benefits (in kind)

Generally for Malaysian tax purposes, all wages, salaries and payments in cash or in kind in respect of employment exercised in Malaysia are taxable in full. The provision of certain benefits in kind is taxed on a concessionary basis.

With proper implementation, certain benefits can be provided to an employee in a tax advantageous manner.

The taxation treatment of more common types of benefits are summarised below:

Accommodation

Where the employer provides rent free accommodation to an employee or a service director of a controlled company, the individual is assessed on the defined value of living accommodation, or 30% of the individual's gross employment income, whichever is lower.

The above comparison is not applicable for a director of a controlled company, who will be assessed on the full defined value of the accommodation provided.

Car expenses

The benefits to be assessed will be the value of the use of a private car and fuel provided, based on a calculation table provided by the MIRB.

Education

Tuition or school fees paid by the employer will be assessed fully as a benefit in kind to the employee.

Utilities

The amount of the benefit that is taxable is based on actual service charges and bills paid by the employer.

Expatriate concessions

Expatriate concessions are generally not applicable in Malaysia. However, additional tax benefits are available for expatriates from operational headquarters, regional offices, international procurement centres and regional distribution centres in Malaysia.

Foreign source income

Foreign source income remitted to Malaysia by individual taxpayers is exempt from tax in Malaysia.

Deductions against income

Expenses wholly and exclusively incurred in the production of income are tax deductible. However, there are a limited amount of deductions that are deductible against employment income.

Personal relief

Malaysian resident individuals are entitled to personal relief. Some of the more common types of relief are summarised below:

| YA 2013 | RM |
|--|-------|
| Personal relief | 9,000 |
| Spouse relief (if elected for combined assessment) | 3,000 |
| Child relief (per child below 18 years of age) | 1,000 |
| Disabled child (unmarried) | 5,000 |
| Life insurance premium/ approved fund | 6,000 |
| Insurance premium for education/ medical | 3,000 |

What taxes?

Capital gains tax

There is no capital gains tax in Malaysia.

Inheritance, estate and gift taxes

There are no inheritance, estate and gift taxes in Malaysia.

Investment income

Generally, investment income (with certain exceptions) is aggregated with other types of income and subject to tax based on the tax rates set out above.

Local taxes

There are no local taxes in Malaysia.

Real estate tax

Real property gains are taxed at the rate of 15% if the chargeable asset is disposed of within two years from the date of acquisition. If the chargeable asset is disposed between two to five years from the date of acquisition, the gain is taxed at the rate of 10%. The gain is taxed at the rate of 0% if the chargeable asset is disposed after five years from the date of acquisition.

Social security taxes

The employee provident fund (EPF) is a compulsory savings scheme for the employee's retirement. Employees whose country of domicile is outside Malaysia (i.e. foreign citizens) are exempt from contributing; however they can choose to contribute.

Stock options

Benefits derived by employees from an employees' share option scheme, in the form of shares offered at discounted price, are subject to tax.

Wealth tax

There is no wealth tax in Malaysia.

Other specific taxes

Not applicable

Tax planning opportunities

There are a number of tax planning opportunities possible especially in the area of benefits in kind provided to the employee by the employer.

For further information on expatriate tax services in Malaysia please contact:

Alan Chung
E alanchung@gt.com.my



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Morocco

The expatriates who settle in Morocco must comply with Moroccan tax rules and to some administrative procedures such as obtaining an employment visa. Taxability is determined according to the tax status of the person and the source of his/her revenues.

The tax department of Grant Thornton Morocco can help expatriates and their employer companies with regard to taxation issues (obtaining of employment visa, tax calculation, and preparation of tax returns), social security and labour law.

Facts and figures

Pre arrival procedures

Any employer wishing to hire a salaried employee, of foreign nationality, must obtain an authorisation from the governmental authority in charge of employment. This authorisation is granted in the form of a visa affixed on the employment contract.

Employment visas

The employer must submit a full file of employment contract and the relevant documents. For any employment contract, after first foundation, the employer should ask its employee for an employment visa for a foreigner as well as obtain a certificate from the National Agency of Employment Promotion and Competences (ANAPEC), which justifies the lack of a corresponding recruitment profile among Moroccans.

The employment contract reserved for foreigners must be consistent with the form fixed by the governmental authority in charge of labour.

The administration may, subject to the presentation of relevant documents, exempt some foreign salaried employees from the certificate issued by the ANAPEC, especially those seconded for a limited period to foreign companies successful bidders of public contracts or to subsidiaries of parent companies.

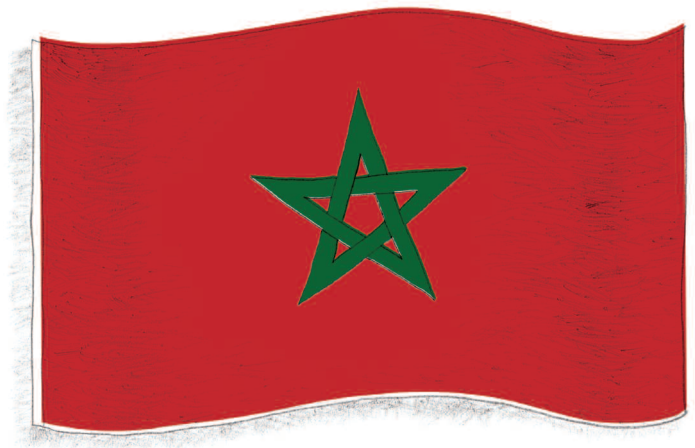
Tax returns and compliance

For the personnel employed by any corporation resident in Morocco, the tax is withheld at source by the employer on the basis of a progressive scale.

If the salaried employee is seconded by a non-resident corporation for a given period, the person must lodge a statement of income before 1 March. The taxpayer is taxed by tax roll after making a statement of annual overall income.

Tax year

The Moroccan tax year runs from 1 January to 31 December.



Income tax rates – resident individuals

For the personnel employed by any resident corporation, the income tax is deducted at source by the employer on the basis of a progressive scale. The maximum rate is 38% after the application of the following cuts, both at the level of the taxable basis and the tax:

| Income brackets in DH | Rate | Deductions |
|-----------------------|------|------------|
| Annual | | Annual |
| 0 to 30,000 | 0% | 0 |
| 30,001 to 50,000 | 10% | 3,000 |
| 50,001 to 60,000 | 20% | 8,000 |
| 60,001 to 80,000 | 30% | 14,000 |
| 80,001 to 180,000 | 34% | 17,200 |
| Beyond 180,001 | 38% | 24,400 |

Sample income tax calculation

| | \$ |
|---|------------|
| Annual gross salary | 178,412.16 |
| Gross taxable salary | 178,412.16 |
| Professional fees. (20% of gross taxable wage ceiling to 30,000/year) | -30,000.00 |
| National fund of social security contributions | -3,088.80 |
| Compulsory health insurance | -42,818.88 |
| Net taxable salary | 102,504.48 |
| Rate of income tax (see rate by income brackets) | |
| Income tax | 17,651.52 |

Basis of taxation

Charge to tax

Expatriates are liable to tax:

- on account of the overall income from Moroccan or foreign source, if their habitual residence is in Morocco
- on account of their overall income from the Moroccan source if their habitual residence is in Morocco.

For persons having their tax domiciles in Morocco and who realise profits or receive revenues, the taxation right is granted to Morocco in accordance with the international treaties tending to avoid double taxation in terms of income tax.

Residence

Any individual who has a tax domicile in Morocco when in Morocco is his permanent residence, the centre of his economic interests or when the continued or discontinued period of his stays in Morocco exceeds 183 days for any period of 365 days.

Income from employment

The income tax is applied to revenues and profits of individuals. The categories of revenues and profits in question are:

- professional income
- income originating from farm businesses
- wage income and related income
- incomes and profits from real property
- incomes and profits from transferable capital.

Source of employment

As mentioned above, when the tax domicile is in Morocco, any received remuneration is submitted to the income tax in Morocco (subject to the application of a Double Taxation Agreement (DTA)).

Benefits (in kind)

Benefits in kind are deemed as wage incomes for the application of the income tax:

- wages
- allowances and emoluments
- special allowances, inclusive reimbursement of expenses and other remunerations granted to the company executives
- pensions
- life annuities
- benefits cash or in kind granted in addition to the aforesaid incomes.

Expatriate concessions

There is no particular tax exemption for expatriates in Morocco.

Relief for foreign taxes

The agreements entered into between Morocco and other countries tend to eliminate double taxation and lay down rules of mutual administrative assistance in terms of tax related issues. They apply to persons residing in one of the two states.

Taxes to which the agreements apply are especially:

- income tax
- corporate income tax.

Deductions against income

The Moroccan fiscal system grants a wide range of tax deductions. The followings are deducted from wage incomes and related revenues: expenses inherent to the function or employment calculated at a lump sum rate of 20%. However, this deduction may not exceed MAD 30,000 per year.

For instance, the followings are deducted from taxable incomes:

- deductions made for the build-up of pensions or retirements
- contributions to Moroccan social welfare bodies as well as employee contributions to social security
- share of group-insurance premiums covering risks of sickness, maternity and death
- interests on loans taken for purchase or construction of the principal house.

What taxes?

Capital gains tax

Tax on capital gains on shares

The profit relating to the assignment of stocks and shares as well as other securities of capital and debt instruments during a calendar year is exempt from tax when these assignments do not exceed the threshold of MAD 30,000. The taxation rate for profits on transferable capital from a Moroccan source amount to 15% for net profit arising from disposal of listed shares and 20% for net profits arising from sale of unlisted shares.

Tax on capital gains on real estate

The following are exempt from tax:

- profits made by any person who assigns in the calendar year any immovable property the total value of which does not exceed MAD 60,000
- taxation rate for real estate profits amounts to 20%.

Inheritance, estate & gift taxes

The following are exempt from income tax on real estate proceeds:

- assignments free of charge between ascendants and descendants and between spouses, brothers and sisters
- assignments free of charge of stocks and shares and other securities of capital between ascendants and descendants and between spouses, brothers and sisters.

Investment income

Dividends from any foreign source received by any resident individual are subject to a 15% rate.

Local taxes

There are local taxes (housing, tax professionnelle, property).

Real estate tax

See 'Capital gains on real estate'.

Social security taxes

Expatriates are submitted to Moroccan social laws unless they are 'seconded' for a determined period not exceeding the duration authorised by bilateral agreements on social security entered into between Morocco and some countries. In this case, the seconded person continues to be submitted to the social laws of his/her country as if he/she continues to be employed there.

The followings are compulsorily submitted to social security system:

- salaried employees, apprentices working for one or several employers in any industry, trade and professions or in the service of any notary, association, trade union, civil partnership or any group of whatsoever nature, irrespective of the nature of their remunerations, form, nature or validity of their contract
- contributions to national fund of social security are calculated on the basis of the gross remuneration and other benefits granted to the personnel, according to the following rates:

| CNSS | Employers' share | Wage share | Total |
|---------------------------|---|---|--|
| Family allowances | 6.5% (real wage bill) | – | 6.5% (real wage bill) |
| Social security benefits | 8.60% (maximum wage bill at 6.000 DH per month) | 4.29% (maximum wage bill at 6.000 DH per month) | 12.89% (maximum wage bill at 6.000 DH per month) |
| Professional training tax | 1.60% (real wage bill) | – | 1.60% (real wage bill) |
| AMO | 2% (gross salary) | 2% (gross salary) | 4% (gross salary) |

Stock options

The following is exempted from income tax: additional amount incurred by the employer company as part of the allotment of options to subscribe or purchase shares by the aforesaid company to the salaried employees thereof decided by the extraordinary general assembly.

However, exemption is subject to the two following conditions:

1. The additional amount must not exceed 10% of the value of the share at the date of the allotment of the option; failing which, the fraction exceeding the rate of the additional amount as fixed above is considered as a make-up pay taxed at the rate of the income tax schedule.
2. Purchased shares must be registered shares and they must not be assigned before a three year period of unavailability following the date of the exercise of the option.

In this case, the difference between the value of the share at the date of the exercise of the option and its value at the date of the allotment of the option will be considered as an increase in the purchase value taxable by way of gains on transferable capital at the time when shares are assigned.

In case of the assignment of shares before the expiry of the foregoing unavailability period, the aforesaid exempted additional amount and the increase in the purchase value will be considered as a make-up pay chargeable to tax as set out above.

Wealth tax

Not applicable

Other specific taxes

Foreign pensions received by tax resident in Morocco

With respect to pensions, to determine the net taxable income, the tax administration provides an allowance of 40% on the gross taxable income (Article 60 of the CGI).

Moreover, person that have their tax resident in Morocco and received foreign pensions could get a tax allowance equal to 80% of the amount of tax due as corresponding to their pension that are transferred definitely to non-convertible dirham account.

Tax planning opportunities

| Earnings description | Planning possible |
|--------------------------|-------------------|
| Base salary | Y |
| Bonus | Y |
| Cost of living allowance | Y |
| Housing | Y |
| Home leave | Y |
| Club membership | N |
| Moving expenses | Y |
| Foreign service premiums | Y |
| Education/schooling | Y |

For further information on expatriate tax services in Morocco please contact:

Abdelkader Boukhriss

E ab@sfrn.co.ma

Namibia

Expatriates taking up employment in Namibia will be subject to Namibia's comprehensive tax rules and also to the requirements regarding work permits. Grant Thornton Neuhaus can help expatriates and their employers in dealing with the Namibian tax system.

In particular Grant Thornton Neuhaus can assist expatriates and their employers in identifying Namibian tax planning opportunities and provide compliance services regarding the tax filing requirements in Namibia.

Facts and figures

Pre arrival procedures

The employers of expatriates are usually required to apply for a Work Permit (WP) prior to the employee taking up employment in Namibia. It is therefore important that the expatriate's employment contract and benefit package is structured in a tax efficient manner before the application is submitted to the Department of Home Affairs in Namibia.

Employment visas

When applying for a WP as mentioned above an application together with a letter setting out the needs as to why an expatriate is required for the position, is submitted to the Ministry of Home Affairs in Namibia.

The employer must also be able to demonstrate that the position was widely advertised in Namibia and that he was not successful in finding a suitable Namibian national to fill the vacancy.

Tax year

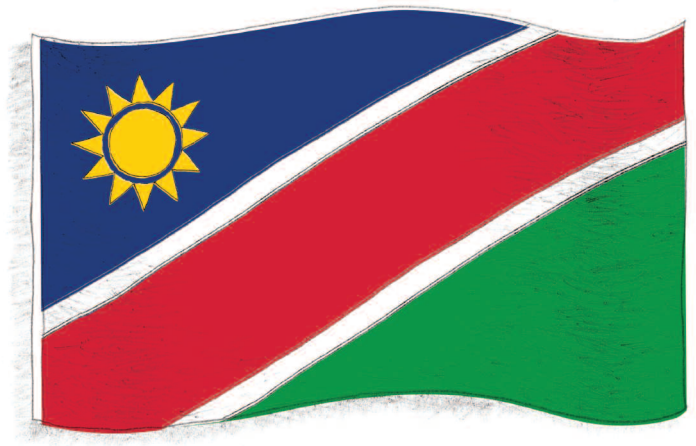
The Namibian tax year for individuals runs from 1 March to 28 February.

Tax returns and compliance

Most Namibian national employees working in Namibia pay their tax through payroll withholding tax and are only required to file an abridged tax return on or before 30 June. However, foreign nationals on assignment to Namibia may have a more complicated tax position and may be required to file a more comprehensive tax return, especially when their remuneration contains allowances which are not taxed by the employer but which the employee has to declare and claim expenses against the allowances. This return is also due on or before 30 June.

Income tax rates

Namibia taxes income earned by an individual on a sliding scale with the first N\$ 40 000 earned per annum being tax free, thereafter the rates start at 27% and increasing to 37% on all income earned in excess of N\$ 750 000 per annum.



Sample income tax calculation

| | N\$ |
|---------------------------------|---------|
| Basic salary earned | 360,000 |
| Tax value of housing allowance | 60,000 |
| Motor vehicle allowance | 72,000 |
| Entertainment allowance | 24,000 |
| Sub total | 516,000 |
| Less: Pension fund contribution | 40,000 |
| Motor vehicle expenses | 55,000 |
| Entertainment expenses | 24,000 |
| Taxable income for the year | 397,000 |
| Tax payable on N\$ 200 000 | 49,200 |
| At 34% on N\$ 197 000 | 66,980 |
| Total tax payable N\$ 397,000 | 116,180 |

Basis of taxation

Charge to tax

Namibia taxes all income which is earned from a source within the country or deemed to be of a Namibian source. The residency or nationality of the taxpayer has no bearing on the liability for Namibian tax in this situation.

Therefore, where the country of origin of the expatriate levies tax based on residency and there is no tax relief between that country and Namibia in the form of a Tax Treaty, the possibility of double taxation is very real.

Residence

As mentioned above, income which is earned from a source in Namibia or deemed to be of a Namibian source is taxable. The residency or nationality of the taxpayer has no bearing on the liability for Namibian tax in this situation.

Income from employment

Remuneration includes all wages, salaries, overtime pay, bonuses, gratuities, benefits etc.

The Namibian employer is obliged to withhold income tax and pay the amount to Inland Revenue on a monthly basis. Allowances paid to employees to cover e.g. motor vehicle expenses are not subject to withholding tax but will have to be declared and are taxed on the basis of any amount not utilised for the purpose it was paid for by the employer.

Source of employment

A Namibian tax charge arises on remuneration earned for services rendered in Namibia.

Benefits (in kind)

In general, where a fringe benefit is enjoyed in Namibia, a Namibian income tax charge will arise. Therefore, free or low cost housing or the provision of a car e.g., is subject to income tax at values determined by Inland Revenue.

Expatriate concessions

There are no expatriate concessions available in Namibia

Relief for foreign taxes

Where income has been subject to tax twice; in Namibia and a foreign jurisdiction, relief may be granted by either of the tax jurisdictions in terms of a relevant Double Taxation Agreement.

Deductions against income

Motor vehicle expenses – if the employee receives an allowance and the costs claimed are incurred while fulfilling his/her duties in terms of a contract of employment.

The same applies to expenditure like entertainment and telephone expenses if the employee receives an allowance to cover the expense necessarily incurred while fulfilling his/her duties.

Contributions to a pension fund, retirement annuity fund or provident fund, limited to an annual deduction of N\$ 40 000.

What taxes?

Capital gains tax

There is no capital gains tax in Namibia.

Inheritance, estate & gift taxes

There is no estate duty or donations tax in Namibia.

Investment income

The expatriate's interest income earned in Namibia will be taxed in Namibia. Dividends received are generally tax free in Namibia. All interest earned on investments held abroad by the expatriate will not be taxed in Namibia, except where the capital on which the interest is earned is of a Namibian source.

Local taxes

There are no local taxes applicable to an individual in Namibia, but there may be a requirement to settle council charges for water, electricity and refuse removal.

Real estate tax

Real estate tax only applies where a property is purchased. In that instance a transfer duty and stamp duty is payable on the purchase consideration.

The transfer duty rate which applies to transactions exceeding N\$ 400, 000 is calculated at N\$ 11 000 plus 8% of the amount exceeding the above amount.

Stamp duty is calculated at 1% of the total purchase consideration.

Social security taxes

Where services are rendered in Namibia, generally a charge to Namibian Social Security will arise. Where the income earned exceeds N\$ 6 000 per month, the charge is limited to N\$ 54 per month, payable by the employee. The employer pays an identical monthly amount.

Stock options

The value of share options granted are generally taxed in Namibia at the time the option is exercised by the employee. The taxable benefit derived by the employee will be the market value of the option at the time it is exercised less the amount payable by the employee.

Wealth tax

There is no wealth tax in Namibia.

Other specific taxes

Not applicable

Income Tax Rates

Namibia taxes income earned by an individual on a sliding scale with the first N\$ 40 000 earned per annum being tax free, thereafter the rates start at 27% and increasing to 37% on all income earned in excess of N\$ 750 000 per annum.

Tax planning opportunities

Where an expatriate is required to also render services outside Namibia, the income earned for those services will not be subject to tax in Namibia provided the services rendered are not incidental to the services rendered in Namibia by that person.

Most tax planning involves the structuring of employment arrangements to take advantage of various tax concessions. Grant Thornton Neuhaus' Tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in Namibia please contact:

Hartmuth van Alphen

E hvanalphen@gtneuhaus.com

The Netherlands

Expatriates taking up employment in The Netherlands will be subject to comprehensive rules in the area of taxation, social security and immigration. Grant Thornton Netherlands can help expatriates and their employers in dealing with these rules.

In particular Grant Thornton can assist expatriates and their employers in identifying Dutch tax planning opportunities and provide compliance services, as well as providing immigration services for employees who need work/residence permits and where necessary, entry visas.

Grant Thornton Netherlands's expatriate services team is part of Grant Thornton Netherlands HR services (www.gt.nl/hrservices). With 25 team members and experience in the field of expatriate taxation, compliance and (expat) payroll, providing personal and dedicated support with an approach tailored to each client. Grant Thornton Netherlands serve a wide range of internationally oriented clients and provide global coordination for expatriate services.

Facts and figures

Pre arrival procedures

Employers of non-EU nationals are required to apply for a work permit and a residence permit prior to the employee taking up employment in the Netherlands. In some cases, an entry visa (so called MVV) is also required. For Bulgarian and Romanian nationals a work permit is still required. Furthermore it is important that the expatriate's employment contract and benefit package is structured in a tax efficient manner before the start of the assignment.

Employment visas

A work permit and a residence permit must be acquired to allow the expatriate to live and work in the Netherlands. Highly skilled migrants may be eligible for a knowledge migrant permit, which allows them to live and work in the Netherlands. If the expatriate is an EU national the above procedure is not required, however, registration requirements with the authorities generally do apply.

Tax year

The Dutch tax year runs from 1 January to 31 December.

Tax return deadline

The tax year-end is 31 December. The statutory filing deadline is 1 April of the year following the tax year. However, under certain conditions, extension of the deadline is possible.

Basis of taxation

Residence

The taxation of individuals in the Netherlands is based either on residence (tax residency) or on certain Dutch-source types of income (non-tax residency).



Resident taxpayers

Resident taxpayers of the Netherlands are taxable on their worldwide income.

Non-resident taxpayers

Non-resident taxpayers of the Netherlands are only taxable on specific types of Dutch source income. The most common sources are income from employment activities performed in the Netherlands and real estate located in the Netherlands.

Overview of the Dutch income tax system

The Dutch income tax system is made up of three parts:

1. Income from work and principle residence. Income is taxed at progressive rates (see 'What taxes?').
2. Income from substantial interest (5% more in share capital of a legal entity). Income is taxed at a flat rate of 25%.
3. Income from savings and investments. Deemed income is taxed at a flat rate of 30% (see 'What taxes?').

Income from employment

Income from employment is subject to Dutch wage withholding tax. The tax rate is equal to the Dutch income tax rates. Dutch wage withholding tax may be credited against Dutch income tax.

Dutch wage withholding tax in principle applies to all income from employment including weekly salaries, monthly salaries, annual salaries, bonuses, commissions, director's fees, non-approved pensions and any other cash earnings or benefits in kind.

A non-Dutch based employer is in principle not obligated to withhold this tax on wages. However, if that employer has a (deemed) permanent establishment in the Netherlands, there is an obligation to withhold and remit Dutch wage tax for the employees working in the Netherlands. A non-Dutch based employer may also voluntarily apply for withholding.

Source of employment

In general, the source of employment in the Netherlands is the performance of employment activities in the Netherlands. Any remuneration received in respect of these employment activities is treated as Dutch source income. Taxation of this income in the Netherlands will depend on the expatriates residency status and relevant Double Taxation Agreement (DTA), if applicable.

Benefits (in kind)

In general, benefits in kind are subject to Dutch wage/income tax. Some benefits (eg employer's contribution to a qualifying pension plan) are exempt from tax.

Expatriate concessions

Under Dutch wage tax legislation, employers are permitted to provide a tax free reimbursement of the (extra) costs of employment (so called extra territorial costs) in the host country.

For inbound expatriates, with scarce specific expertise, the so called 30%-ruling may apply. The 30%-ruling is a fixed allowance for the extraterritorial costs. In practice, this means that the employer can pay the employee up to 30% of the salary tax free. The effective top tax rate is then 36.4% instead of 52%.

In order to apply the 30%-ruling, a joint request must be filed by employer and employee and the Dutch tax authorities must issue a grant that the ruling may be applied. Grant Thornton has an agreement with the Dutch tax authorities based on which we may in principle decide on the requests ourselves. This allows for quick processing and grants are generally issued by the Dutch tax authorities within two weeks.

Employees whom are granted the 30%-ruling, may also choose to be treated as partial non-resident taxpayers. This status limits Dutch taxation on e.g. investment income of the employee.

In addition, the costs of school fees for children attending an international school in the Netherlands, may in principle be reimbursed tax free.

Also, expatriates may qualify for a tax free reimbursement of €7,750 – for general moving expenses in addition to the actual costs of moving household goods. Careful planning is recommended.

Relief for foreign taxes

Relief for double taxation may apply on the basis of tax treaties and/or the unilateral regulations for such relief.

Deductions against income

In the Netherlands, employee's cannot deduct business expenses for tax purposes. On the other hand, an employer has numerous possibilities to reimburse business related costs. The total salary package should therefore be structured carefully. A part of the Employee Insurance Contributions is tax deductible. Pension scheme contributions borne by the employee are also tax deductible provided that the pension scheme qualifies for Dutch pension purposes.

Mortgage interest paid by the employee for their principle residence is tax deductible. Also, within certain limits, gifts, alimony, life insurance contributions, study costs and extensive medical costs are tax deductible.

Work-cost regulation

As of 1 January 2011, new legislation became effective in the area of cost reimbursements by employers. Under this regulation, the employer has a specific budget (1.5% of the total taxable wages of all the employees) which can be used to provide tax free reimbursements. Under this regulation, specific costs can still be reimbursed tax free without impacting the 1.5% budget.

Under transitional rules, employers are still able to make use of the 'old' regulations through 31 December 2013. It is expected that these transitional rules will be extended through 31 December 2014.

What taxes?

Capital gains tax

In general, there is no capital gains tax in the Netherlands.

Inheritance, estate and gift taxes

The Netherlands has both an inheritance and gift tax. A liability to Dutch inheritance and gift tax depends on the individual's Dutch tax residence position.

Investment income

The expatriate's Dutch tax residency will determine whether they are subject to tax on savings and investments. Savings and investment income is taxed at 30%. This rate is applied to 4% of the average net value of the relevant assets as per 1 January of the relevant tax year. The effective tax rate is therefore 1.2% of the average value of the assets less a threshold. The actual investment income is not relevant in this respect.

Dividend tax

Dividends are in general taxable at a flat withholding rate of 15%. The dividend tax can in principle be offset against the income tax liability.

Local taxes

Individuals who own a home in the Netherlands are subject to local taxes over the municipal value (WOZ value) of the home. There may also be a requirement to settle council charges, e.g. for water and waste collection.

Real estate tax

Real estate transfer tax in the Netherlands amounts to 2% for residences and 6% for other properties.

Social security and income taxes

Income tax rates 2013

| Taxable income (€) | Rate (%) | Cumulative tax |
|--------------------|----------|----------------|
| 1-19,645 | 5.85 | 1,149 |
| 19,646 – 33,363 | 10.85 | 2,637 |
| 33,364– 55,991 | 42 | 12,140 |
| over 55,991 | 52 | > |

Social security 2013 – national insurance contributions 2013

| Taxable income (€) | employer | employee |
|--------------------|----------|----------|
| 1 – 33,363 | nil | 31.15% |
| over 33,363 | nil | nil |

Social security 2013 – Employee insurance contributions 2013

| Earnings per year | employer | employee |
|------------------------|----------|----------|
| Disability (WAO) | 4.65% | nil |
| Unemployment (WW) | 4.46% | nil |
| Health Insurance (Zvw) | 7.75%* | nil |

Please note that in addition to the above percentages additional premiums are applicable which differ per company. Besides the premium income is capped.

* Basic premiums. Additional charges may apply depending on the sector.

Stock options and other types of equity remuneration

Dutch stock option legislation has changed frequently over the last few years. Under current legislation, stock options in principle are regarded as income from employment when the stock options are exercised. In international situations an allocation over various countries may apply. Previous stock option legislation and/or interim provisions might be applicable.

The tax approach of the Netherlands regarding cross border stock option taxation issues, is in line with the official Organisation for Economic Co-operation (OECD) commentary, i.e. an allocation can be applicable.

Granting certain types of shares may also be qualified as a lucrative interest and taxable at progressive rates. Careful planning and structuring of such grants is key.

Substantial interest

Dividends distributed by a corporation in which the shareholder has a so-called substantial interest (i.e. 5% or more of any class of the shares), are taxed at a flat rate of 25%.

Wealth tax

There is no wealth tax in the Netherlands.

Tax planning opportunities

In cross-border situations, tax, social security and pension planning is possible. The 30% ruling is the main tax planning opportunity for companies and expatriates in the Netherlands.

Also, certain tax free allowances may be applicable with respect to relocating to the Netherlands as well as international school fees that in principle may be tax free as well. This provides opportunities to optimise the compensation package from a Dutch tax perspective.

Moreover, (income from) savings and investments can be excluded from the Dutch taxable base if the partial non-resident status is chosen under the 30%-ruling.

In addition, the Netherlands has a large network of tax treaties, which can also allow for tax planning opportunities (eg salary split) for high executive employees and director's.

For expatriates assigned to the Netherlands, continued participation in a foreign (non-Dutch) pension scheme may be treated tax friendly as well under certain conditions.

The non-working spouse of an expatriate may also qualify for the general tax credit in the Netherlands. Furthermore a flexible salary system can set up to structure the remuneration package in a tax efficient way. In certain cases, opting to use the work cost regulation may provide flexibility in structuring as well.

| Earnings description (examples) | Planning possible |
|--|-------------------|
| Base salary | Y |
| Bonus | Y |
| Club membership | N |
| Company car | Y |
| Cost of living allowance | Y |
| Education/Schooling | Y |
| Foreign service premiums | N |
| Home leave | Y |
| Housing | Y |
| Medical expenses* (including family members) | Y |
| Moving expenses | Y |
| Pension scheme | Y |

*within specified limits

Note: this list is non-exhaustive

For further information on expatriate tax services in The Netherlands please contact:

Eric Jansen

E eric.jansen@gt.nl

Lita Mannoe

E lita.mannoe@gt.nl



Norway

Expatriates taking up employment in Norway will be subject to comprehensive rules and in some cases employment visa requirements. Grant Thornton Norway can help expatriates and their employers in dealing with the Norwegian tax and employment visa requirements.

In particular assisting expatriates and their employees in identifying Norwegian tax planning opportunities, reviewing tax equalisation policies and providing compliance services regarding the Norwegian tax filing requirements.

Facts and figures

Pre arrival procedures

In order to work in Norway most foreign citizens require a work permit. The permit must be granted before entering the country.

Employment visas

A work permit is not only required for nationals from EEA countries who stay in Norway for up to three months, work in Norway for up to three months or work in Norway but commute to another EEA country at least once a week.

EEA nationals who are seeking employment in Norway may reside in Norway for six months without a permit. In most cases, if an individual is staying in the country for longer than three months, they must apply for a residence permit.

Further information about work and residence permits is available in Norwegian, English, German and French from the Directorate of Immigration at: www.udi.no.

Tax year

The Norwegian tax year runs from 1 January to 31 December.

Tax returns and compliance

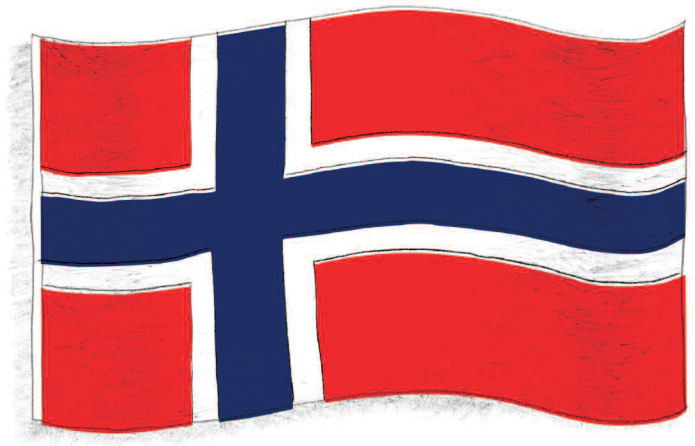
The tax return deadline for employees is 30 April following the end of the tax year concerned.

Everyone who has a taxable income or taxable assets must submit a tax return. The obligation to submit a tax return applies regardless of whether you have full or limited tax liability.

Income tax rates – 2013

Tax is imposed on:

- ordinary/net income, (includes taxable income from all sources)
- personal income/gross income, (includes employment income and pensions).



Sample income tax calculation

The below calculation is based on:

- employment income: NOK 1,000,000.
- other net income: NOK 10,000.
- net wealth: NOK 1,000,000.

| | NOK |
|--|---------------|
| National Insurance, employee contribution (7,8%) | NOK 78,000 |
| Top tax first | 509,600 |
| 9% next 318,700; | 28,683 |
| 12% next 171,700; | 20,604 |
| Total top tax NOK | 49,287 |
| Basis for municipal tax | |
| Income | NOK 1,010,000 |
| Standard deduction | NOK (40,000) |
| Minimum deduction | NOK (81,300) |
| Personal allowance | NOK (97,150) |
| Income for taxation | NOK 841,550 |
| Municipal tax (28%) | NOK 235,634 |
| Wealth tax | |
| First 870,000 | NOK 0 |
| 1.1% next 130,000; | NOK 1,430 |
| Total wealth tax | NOK 1,430 |
| Tax bill | NOK 364,351 |

Basis of taxation

Charge to tax

According to the Norwegian internal tax legislation, a person could be liable to pay taxes to Norway for two reasons:

- the individual is considered resident in Norway for tax purposes, (unlimited tax liability)
- the individual has earned certain income and/or own property which is taxable to Norway due to its source (limited tax liability).

Residence

If the individual is present for a period or periods exceeding in the aggregate 183 days in any 12 month period they are considered to be resident for tax purposes. Residents are subject to tax on their worldwide income.

When emigrating from Norway an individual will still be considered a resident for tax purposes as long as he, or someone closely related to him, maintains a home in Norway. An individual who does not maintain a home in Norway will be considered a resident if the stay in Norway exceeds 61 days per income year (after emigration).

Individuals that have been residents in Norway for more than ten years will, irrespective of the two conditions mentioned above, be considered as residents for tax purposes for a three-year period after emigration. Residency will not cease if they maintain a home in Norway or stay for more than 61 days during the three-year period.

However, the stay is not long enough in Norway to become a tax resident, the expatriate may nevertheless be liable to taxation in Norway for certain types of income and assets, such as employment income derived from sources in Norway, real property in Norway and dividends from Norwegian companies.

Income from employment

Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, benefits etc.

There is also a requirement on the expatriate's employer to deduct Norwegian payroll withholding tax from the assessable employment income.

Source of employment

Where an individual is hired out to a Norwegian employer and remuneration received in respect of the duties performed for the Norwegian employer, this remuneration is chargeable to tax in Norway.

Benefits (in kind)

In general, where the benefit is enjoyed in Norway, a tax charge will arise.

Relief for foreign taxes

Where income has been subject to double taxation; in Norway and a foreign jurisdiction, relief can be granted by the Norwegian revenue authority where provided for in the relevant Double Taxation Agreement (DTA).

Deductions against income

Ordinary/net income is calculated by making the following deductions on the gross income:

- a minimum deduction of 40%, limited to NOK 81,300. The deduction will be reduced by the number of months not spent in Norway. Instead of the minimum deduction, taxpayers may choose a deduction equal to actual work expenses not covered by the employer. This alternative will not be available if the standard deduction by the gross deal method was selected, see 'Planning'.

- other deductions are available for commuter expenses, interest on debt, premium to private Norwegian pension scheme, deficit in Norwegian business activities and expenses connected to the care of children (kindergarten). This list of examples is not exhaustive
- the ordinary/net income will be reduced by a personal allowance, NOK 47,150 or by a family allowance (for sole providers), NOK 94,300. The maximum limit will be reduced by months not spent in Norway.

What taxes?

Capital gains tax

Chargeable gains are subject to capital gains tax in Norway at 28%. Exemptions to capital gains tax apply in respect to gains arising from the sale of a principal residence subject to certain conditions.

Exit tax

An exit tax is applied to gains on sales of shares in excess of NOK 500,000 subject to certain conditions.

Inheritance, estate and gift taxes

Inheritance and gift taxes are paid on all inheritances and gifts received from resident decedents and donors. Real estate and related assets in Norway are subject to this tax, regardless of the donor's residence or citizenship. Inheritances and gifts received from a spouse are not subject to such tax.

Investment income

Interest, rental income and royalties are subject to tax at a rate of 28%. Dividends paid to individuals are also taxable, but only the part of the dividend exceeding a risk free return on the investment (these provisions also apply to citizens within the EEA).

Local taxes

There is a local municipal tax that is levied in addition to state income tax.

Real estate tax

Registration fee and stamp duty on transfer of ownership is 2.5% of the market value. This favours lease before purchase of accommodation and particularly if the stay in Norway is temporary.

Social security taxes

Any individual working in Norway must pay a national insurance contribution of 7.8% of his personal/gross income. The national insurance contribution will be assessed and paid with the ordinary income tax and the top tax.

Any foreign taxpayer who is resident, or if not resident, under employment in Norway, may be exempted from the national insurance scheme in accordance with EEA regulations No 883/204 or a social security convention.

Employers must pay the employer's contribution to the national insurance scheme. The contribution is stipulated as a percentage of wages and remunerations. The ordinary rate is 14.1%.

Also foreign employers are obliged to pay the Norwegian employer's contribution on wages and remuneration for work performed in Norway and on the Norwegian continental shelf. This applies regardless of whether the foreign employer is tax liable to Norway or not, and regardless of whether the employee is liable to tax in Norway or not.

If the employee submits the A1 (E101) form from the national insurance authorities in his home country, the employer does not need to pay the Norwegian employer's contribution.

Stock options

Stock options received by an individual will become liable to tax in Norway on the date of exercise. The amount of tax due is calculated on the difference between the market value of the underlying share at the date of exercise, the exercise price and amount paid by the individual at the date of exercise.

Wealth tax

A wealth tax is levied on taxable net assets at the following rate:

| Net value: | Wealth tax (%): |
|-------------|-----------------|
| 0 – 870,000 | 0 |
| 870,000 + | 1.1% |

Other specific taxes

Personal/ gross income is liable to a top tax where it exceeds the following limits:

| Gross income (NOK) | State tax (%) |
|--------------------|---------------|
| 0 – 509,600 | 0% |
| 509,600 – 828,300 | 9% |
| 828,300 – | 12% |

Tax planning opportunities

Gross-deal method

Expenses paid by the employer covering board, lodging and travel to a home abroad are liable to taxation. The employee may choose between the 10% standard deduction limited to NOK 40,000, and a deduction based on actual expenses (also including personal and family related expenses). With regards to travel expenses, the deductible amount will be reduced by NOK 13,950.

Net-deal method

Expenses paid by the employer covering board, lodging and travelling are not liable to taxation with the exception of any surplus from allowances received. Expenses covered by the employee himself are deductible. In addition he may claim personal and family related expenses deducted. With regards to travelling expenses, the amount deductible will be reduced by NOK 13,950. When applying this method, the 10% standard deduction is not applicable.

Free board will be considered taxable income regardless of method.

The 10% standard deduction

A resident for tax purposes may be granted a standard deduction of 10%, limited to NOK 40,000 for the two first assessments. Taxpayers with limited taxability may be granted a similar deduction for an indefinite period of time. The standard deduction will replace certain other deductions, such as interest on debt, deficit, board and lodging.

Employee resident within the EEA

EEA-residents, who are working temporarily in Norway and are tax liable as resident in Norway, may choose between the gross-deal method and the net-deal method.

If the gross-deal method is chosen, the taxpayer may choose between the 10% standard deduction and a deduction based on actual expenses (including personal and family related expenses).

Employees with limited tax liability may also choose between the gross-deal method and the net-deal method. When choosing the gross-deal method, the employee may either claim the 10% standard deduction or a deduction for expenses incurred from commuting. In addition he may, on certain terms, claim personal and family related expenses to be deducted.

Employee resident outside the EEA

For employees resident outside the EEA, staying temporarily in Norway and who are liable to be taxed as a resident, only the gross-deal method is applicable.

Employees with limited tax liability may choose between the gross-deal and the net-deal method. When choosing the net-deal method, the employee may not claim the standard deduction, but this method may be used on allowances received from the employer. Expenses paid by the employee himself are not deductible.

For further information on expatriate tax services in Norway please contact:

Geir Peter Hole
E hole@grant.thornton.no

New Zealand

Expatriates taking up employment in New Zealand will be subject to our comprehensive tax rules and work permit requirements. Liability to tax will be principally determined by the employee's tax residence status and the source of the relevant income.

Expatriate tax teams in Grant Thornton New Zealand's offices can assist expatriates and their employers in dealing with New Zealand tax and employment related matters including advice on tax planning opportunities, management of assignment policies and the provision of New Zealand tax filing services.

Facts and figures

Pre arrival procedures

Nothing is required for tax purposes. However, consideration of the possible impact of various New Zealand tax regimes would be wise to ensure no tax planning opportunities are missed. In particular, if a pre-migration foreign trust is to be considered it will be important to avoid triggering tax residence via preliminary visits to New Zealand in advance of establishing the trust.

Employment visas

Work permits may be required in some situations. A visa or permit to work in New Zealand is not required where a person is:

- a New Zealand citizen or holds a New Zealand residence permit; or
- an Australian citizen, or an Australian resident with a current permanent residence visa or a current resident return visa.

For more information visit the New Zealand Immigration website www.immigration.govt.nz.

Tax year

The New Zealand fiscal year runs from 1 April to 31 March.

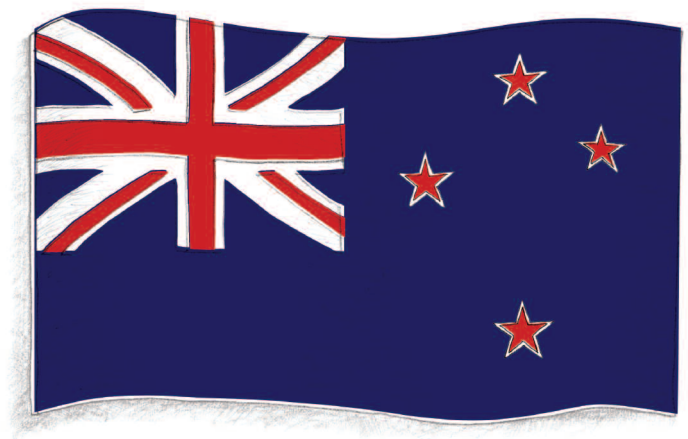
Tax returns and compliance

New Zealand operates a self-assessment regime whereby taxpayers file an annual tax return and self-assess the tax liability for the year. The filing date for an individual's tax return is 7 July following the 31 March year-end balance date. The filing due date is extended to the following 31 March where the tax payer uses a recognised tax agent (such as Grant Thornton) and has an extension of time.

Income tax rates

Individuals are taxed at progressive rates according to total taxable income. Rates for the 2013/14 income tax year are:

| Total income (NZD) | Marginal rate |
|--------------------|---------------|
| 0 to 14,000 | 10.5% |
| 14,001 to 48,000 | 17.5% |
| 48,001 to 70,000 | 30% |
| Over 70,000 | 33% |



Sample income tax calculation – 2013/2014 (Year to 31 March 2014)

| | NZ\$ |
|---|-----------------|
| Base employment income | 100,000 |
| Accommodation | 30,000 |
| Cost of living allowance | 45,000 |
| Gross income | 175,000 |
| Less | |
| Income protection insurance | (4,000) |
| Tax return preparation fees | (1,000) |
| (There are no other possible deductions in this scenario) | |
| Total deductions | (5,000) |
| Taxable income | 170,000 |
| Tax at 10.5% first 14,000 | 1,470 |
| Tax at 17.5% next 34,000 | 5,950 |
| Tax at 30% next 22,000 | 6,600 |
| Tax at 33% next 100,000 | 33,000 |
| Tax impost | \$47,020 |

In this example there will be an additional ACC earner premium of \$1,973.51 also – see further below on ACC.

Basis of taxation

Charge to tax

Tax residents of New Zealand are taxed on worldwide income, whereas tax non-residents are generally taxed on New Zealand source income only. These general rules may be modified by certain domestic concessions and tax treaty tax provisions depending on individual circumstances. In addition, from 1 April 2006 individuals who meet the transitional resident criteria are generally eligible for up to 48 months (following the month of arrival) of relief from New Zealand tax on most types of foreign income (refer below).

Residence

Individuals who are physically present in New Zealand for more than 183 days in any 12 month period will become tax resident of New Zealand from their first day of presence within that relevant 12 month reference period (i.e. tax residence status applies retrospectively). In determining whether the test is satisfied or not, please note that part days of presence in New Zealand count as whole days.

Individuals with New Zealand permanent place of abode status will also be treated as New Zealand tax resident. The permanent place of abode test looks at the person's connections to New Zealand, including the person's residential housing/accommodation arrangements in New Zealand. Exposure to New Zealand tax may be modified under the terms of relevant tax treaties.

From 1 April 2006 a person who becomes tax resident may also qualify as a transitional tax resident if they have not previously been a New Zealand tax resident or have been non-resident for at least 10 consecutive years. Transitional residents qualify for specific income tax exemptions in respect of foreign (non-New Zealand) source income – refer to expatriate concessions below.

To become a tax non-resident, an individual needs to:

- be absent from New Zealand for more than 325 days in the twelve-month period following departure
- lose New Zealand permanent place of abode status.

In determining whether the test is satisfied or not, please note that part days of presence in New Zealand count as whole days.

Income from employment

Taxable income from employment includes salaries, wages, bonuses, lump sum payments, the benefit of employer-provided accommodation, and benefits arising under employment-related share purchase schemes and option schemes. Certain payments to or on behalf of employees may qualify for tax-free treatment. For example, payments that compensate an employee for certain categories of work-related expenditure.

Source of employment

New Zealand has very broad sourcing rules which need to be considered carefully in some cases. However, it is generally true that employment income is deemed to be sourced in the country in which the employment services are performed.

Benefits (in kind)

Employee fringe benefits are subject to fringe benefit tax (FBT). This tax is imposed on employers. Common examples of benefits subject to FBT include motor vehicles, low-interest loans and discounted goods.

Expatriate concessions

Non-resident employees may be exempt from New Zealand tax on income relating to the performance of short-term employment duties in New Zealand (depending on specific circumstances).

From 1 April 2006 transitional residents are exempt from New Zealand tax in respect of their foreign-source income apart from any foreign employment income or service income derived during their transitional resident exemption period.

The transitional resident exemption provides significant tax planning opportunities and can apply for up to 48 months following the month of arrival. In some limited circumstances the exemption can be for a period of up to a total of 60 months following the month of arrival. Specific advice should be sought in advance to ensure planning opportunities are maximised. Transitional residents who have offshore losses can elect out of the foreign income exemption. Individuals considering such an election should obtain specialist advice.

Relief for foreign taxes

New Zealand tax residents are given credit for foreign tax paid on foreign-source income. In general terms the tax credit recognised in New Zealand will be limited to the lesser of the foreign tax paid or the New Zealand tax applicable to the foreign income.

Deductions against income

General tax deductions against employment income are limited to the cost of preparing the annual tax return and income protection insurance premiums. Deductions for other costs incurred by employees in deriving employment income are specifically prohibited. Employers may compensate employees on a tax-free basis for certain types of expenditure incurred by employees in undertaking their employment duties.

Personal allowances

There are no personal allowances available in New Zealand.

A tax credit may be claimed by individuals for gifts of money to approved organisations.

What taxes?

Capital gains tax

New Zealand has not enacted capital gains tax legislation as such, although some capital receipts may be treated as taxable income. In addition certain accrued/unrealised gains may be taxable. Specific taxing regimes apply to tax gains from certain property disposals, and gains arising from financial instruments such as deposits and bonds, and gains on certain foreign shareholdings, retirement schemes and life insurance investments. One of these regimes (the foreign investment fund regime) has recently been amended with the result that more people than previously are now subject to it.

Inheritance, estate and gift taxes

New Zealand does not impose inheritance tax, estate duties or death duties.

Investment income

Passive income flows such as interest and dividends are taxable at the individual's marginal income tax rate.

Local taxes

There are no local taxes imposed on the income of individuals in New Zealand.

Real estate tax

There are no real estate taxes in New Zealand. Rates are levied by local governments to cover local infrastructure, logistical and management costs.

Social security taxes

New Zealand does not have social security taxes. However there is an extra charge on employees being Accident Compensation Corporation (ACC) levies. The ACC scheme is a no-fault, government run accident insurance scheme and is funded in part, by payroll levies imposed on employers and employees. The employee earner premium is fixed at 1.7% for the year to 31 March 2013, irrespective of the employee's occupation, and inclusive of GST. For the 2013/14 tax year the levy is payable in respect of earnings up to NZD \$116,089 per employee. The rate and threshold for ACC is reviewed each year

Stock options

Gains from employment related share/option schemes are taxable. The taxable gain is the discount or bargain element and this is calculated by taking the market value of the shares on acquisition date less the cost of acquisition. The income is reported in the employee's personal tax return in the income year in which the acquisition occurs.

The gain is taxable regardless of whether the shares are sold at acquisition date or not.

Expatriates should also seek expert advice because depending on the specific circumstances, some or all of the income maybe exempt from New Zealand tax or alternatively it may be taxable but with foreign tax paid recognised as a credit on some or all of the income.

Wealth tax

There is no wealth tax in New Zealand.

Other specific taxes

A Passenger Service Charge (PSC) of \$12.50 is charged for passengers arriving and departing New Zealand. This amount is included in the airfare costs and collected by airlines. No further departure charge is necessary.

New Zealand also has a value added tax, known as goods and service tax (GST). The rate is currently 15%

Tax planning opportunities

With correct planning advice employee allowances and benefits may be structured to achieve tax efficiency. In all cases tax planning analysis and structuring advice should occur before the assignment commences.

Grant Thornton's expatriate tax teams can advise expatriates on these and related opportunities.

Health check

Please be aware that the data included in this expatriate tax ebook is correct at the time of publication, however we cannot guarantee that it is current at the time which you are reading it.

For further information on expatriate tax services in New Zealand please contact:

Murray Brewer
E murray.brewer@nz.gt.com

Pakistan

Expatriates taking up employment in Pakistan are required to follow the tax rules and procedures including employment visa requirements. The expatriate tax liability is determined based on residency status as well as the nature and source of income.

The expatriate tax team at Grant Thornton Pakistan, is fully capable and trained to assist expatriates in dealing with Pakistan tax and employment visa requirements. Grant Thornton Pakistan can assist in tax planning and devising tax equalisation policies. They can also provide compliance services on tax filing requirements in Pakistan.

Facts and figures

Pre arrival procedures

Expatriates who intend to work in Pakistan are required to apply for a visa before taking up employment. Grant Thornton Pakistan, recommends that the employment contract and benefit package of the expatriates be structured in a tax efficient manner before they are submitted to the Board of Investment (BOI) to obtain approval.

Employment visas

Local businesses can sponsor expatriates for a visa, which can be issued for a period of up to two years or for the duration of the applicant's passport, whichever is earlier. Individuals seeking sponsorship need to demonstrate that they:

- have the necessary skills to match the vacancy
- will be paid in accordance with the company rules
- meets health and character requirements.

The expatriate's spouse or partner can also be issued with a visa along with the main applicant.

Tax year

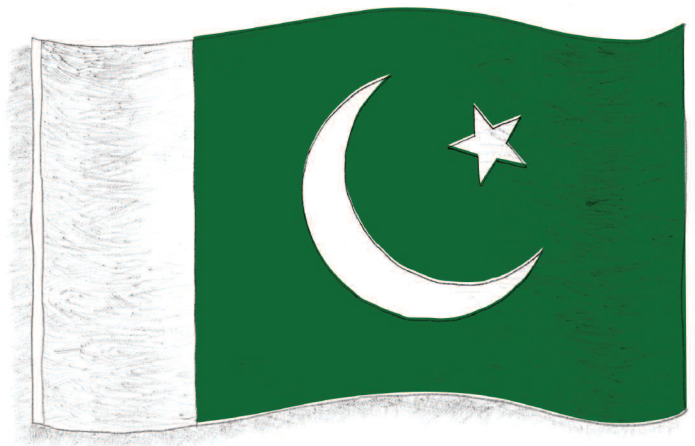
The Pakistan 'tax year' generally starts from 1 July and ends on 30 June each year for the computation and determination of taxable salary and tax liability on salary income.

Tax returns and compliance

An salaried individuals are required to file the tax return by 31 August each year, i.e. within two months of the tax year end.

Income tax rates – 2013

| Taxable Income (PKR) | Total tax liability | |
|-----------------------|---------------------|---|
| | Fixed tax liability | Rate of tax |
| 0 – 400,000 | 0 | 0% |
| 400,000 – 750,000 | 0 | 5% of the amount exceeding 400,000 |
| 750,000 – 1,500,000 | 17,500 | 10% of the amount exceeding 750,000 |
| 1,500,000 – 2,000,000 | 95,000 | 15% of the amount exceeding 1,500,000 |
| 2,000,000 – 2,500,000 | 175,000 | 17.5% of the amount exceeding 2,000,000 |
| Above 2,500,000 | 420,000 | 20% of the amount exceeding 2,500,000 |



Sample income tax calculation

| Tax year 2013 | (Amounts in PKR) |
|---|------------------|
| Basic salary | 1,800,000 |
| Medical allowance | 180,000 |
| Special allowance | 200,000 |
| Total salary | 2,180,000 |
| Less | |
| Medical allowance exempt (up to 10% of basic salary) | (180,000) |
| Special allowance exempt (other than conveyance and entertainment) | (200,000) |
| Taxable income | 1,800,000 |
| Tax liability on 1,500,000 | 95,000 |
| Tax liability on 300,000 @ 15% | 45,000 |
| Total tax liability | 140,000 |

Basis of taxation

Charge to tax

Tax is charged on taxable salary. A resident is assessed on worldwide income, while non residents are charged tax on Pakistan source income only. However, a short-term resident individual is not subject to tax on their worldwide income. A short-term resident is a person whose stay in Pakistan is exclusively for the purposes of employment and their stay does not exceed three years in aggregate after becoming resident in Pakistan.

Residence

The residence status of an individual is determined each year based on the following criteria:

- present in Pakistan for a period of, or periods amounting to in aggregate, 183 days or more in a tax year
- an employee or official of the Federal or a Provincial Government of Pakistan and is posted abroad in a tax year.

Income from employment

The definition of taxable income of an employee includes wages, salaries, commission, bonuses, gratuities, and allowances, if these are received as a reward for services. Employers are required to deduct tax from the taxable salary paid on an annual average basis. The tax deducted while paying monthly salary is required to be deposited in the government treasury by the end of the week following the deduction of tax.

Shares and options received in respect of employment are also included in the taxable income of the employee if such option is exercised.

Source of employment

Income from employment has its source in Pakistan if the services are performed in the country.

Benefits (in kind)

Perquisites and allowances received in kind are also translated into monetary terms for inclusion in the taxable salary as per the relevant rules.

Expatriate concessions

1. Any special allowance (other than conveyance and entertainment allowance) provided solely to a taxpayer to meet the expenses incurred in the performance of duties of employment will be exempt from tax.
2. Tax concessions may also be available dependent on individual circumstances and fulfillment of conditions provided under a Double Taxation Agreement (DTA) signed with other countries.

Relief for foreign taxes

Any foreign-source salary income received by a resident individual is exempt from Pakistan tax if tax has been imposed/ paid on that income in another country. This arrangement is subject to the provision contained in the respective DTA. Certain treaties provide a tax credit on income which has been taxed outside Pakistan or income earned abroad.

Deductions against income

In respect of salary income, no deduction is allowed.

What taxes?

Capital gains tax

Capital gain arising on the disposal of a capital asset is chargeable to tax. Capital gain arising from disposal of shares in a private company held for more than twelve months enjoys tax exemption equal to 1/4th of the gain.

Gains arising on listed securities is subject to tax as follows:

| Holding period (months) | Rate of tax |
|-------------------------|-------------|
| 0 – 6 | 10% |
| 6 – 12 | 8% |
| Over 12 months | 0% |

Inheritance, estate & gift taxes

There is no inheritance or gift tax.

Investment income

Interest, profit on debt and other investment income is taxed at a flat rate of 10%, which is also the final tax liability on such income in the hands of the individual.

Local taxes

The provinces and local authorities in Pakistan are empowered under the constitution to impose taxes on certain incomes and transactions. Such taxes include stamp duty on the purchase of immovable property, sales tax on certain services, and taxes on the registration and transfer of motor vehicles etc. For specific implications of a transaction, please contact Grant Thornton Pakistan.

Real estate tax

Gain on sale of immovable property is subject to tax as follows:

| Holding period (years) | Rate of tax |
|------------------------|-------------|
| 0 – 1 | 10% |
| 1 – 2 | 5% |
| Over two years | 0% |

Capital value tax is imposed at 2% at the time of purchase of an immovable asset of 500 square yards or more and is payable by the purchaser.

Social security taxes

Employers are required to contribute towards social security, old age benefit and provident fund/gratuity fund as per the labour laws. In certain cases, employees are also required to contribute equally towards a provident fund established separately under the law.

Stock options

The fair market value of shares as reduced by the cost of acquisition is included in taxable salary for the tax year during which the employee has free right to dispose of the shares or shares which are actually disposed off.

Wealth tax

Currently there is no wealth tax payable on the net wealth of a person.

Other specific taxes

Sales tax is charged @17% on the value of specified imports and on taxable supply.

Tax planning opportunities

The expatriate tax team of Grant Thornton Pakistan will be pleased to assist in identifying tax planning measures for expatriates wishing to work in Pakistan.

For further information on expatriate tax services in Pakistan please contact:

Anjum Ata Sheikh
E asheikh@gtpak.com

Peru

Peru is wide open to investments that help growth in any area of industry, especially those that generate job positions and enrich the training of national ones.

In that sense, we are aware of the current treaties in force for the avoidance of double taxation, the benefits of the Andean Community and the labour exchange.

Since 2008, Grant Thornton Peru have helped expatriates with tax calculations, tax return filings, tax payments, legal proceedings for visas and work permissions.

**What would your tax burden be in Peru?
What is required to enter and leave Peru?**

Facts and figures

Pre arrival procedures

Are visas/work permits necessary?

Yes, any person who does not have Peruvian nationality and will work for a relatively long time will need to have a visa and work permit.

The legal period estimated for the procedure of obtaining a work visa is 30 working days, so this procedure can take around one month on average.

Employment visas

To qualify for an employment visa/work permit, the employee has to accredit a profession or show experience in the position to the labour authority. The expatriate can accredit these requirements by the professional degree or certificate that proves labour experience in accordance to the position that the expatriate is going to be hired for.

How long might a visa be issued for?

A work visa is issued based on the category of the visa. As a temporal visa, it is issued for 90 days that can be extended to one year.

As a resident visa, it is issued for one year and can be extended annually.

Are there different types of visas?

There are temporal, resident and immigrant visas. Family, spouse or children visas would also be required.

Is a sponsor required?

Yes, a labour contract is required. The team established in the employment agreement will determine the work visa to be granted, temporal or resident.

Are there any special arrangements between Peru and other countries for expatriates eg the EU?

It is easier and faster to obtain a labour contract approval for national employees of the member countries of CAN (Andean Community) and for employees whose countries of origin have a treaty of labour reciprocity.

Tax year

The tax year is the same as the calendar year.



Tax returns and compliance

Usually the employer makes the appropriate withholding for tax. However, in the case of non-domiciled employees that have to pay the tax directly, they make the tax return filing during the first twelve working days, the next month after they have received the income.

There are no penalties for late filing.

Are there any other filing obligations?

When an expatriate wants to travel outside of Peru they have to obtain a certification of the earned income (and withholding) or the tax paid.

Income tax rates

The tax income rate for non-domiciled employees is 30% with other variables.

Sample income tax calculation

| Employment income | Peruvian Nuevo Sol | Rate | Tax |
|--|-----------------------|------|-----------|
| Salary | 60,000 | | |
| Bonuses | 10,450 | | |
| Housing allowance (after the three first months of residence in Peru) | 30,000 | | |
| Car allowance | 20,000 | | |
| Total earned income | 120,000 | | |
| Taxable income | 120,000 | 30% | 36,000 |
| Capital income | | | |
| Dividend | 2,500 | 4.1% | 102.50 |
| Bank interest | 1,000 | 0% | 0 |
| Sale of property (If a recovery of capital investment is got, tax is paid on the profit) | 10,000 | 30% | 3,000 |
| Total capital income | 13,500 | | |
| Total tax | | | 39,102.50 |

Basis of taxation

Charge to tax

It is considered the criterion of domicile is 183 days, if a non-domiciled employee stays in Peru for 183 days then the next fiscal year they will be considered as domiciled. A non-domiciled tax payer will have a higher tax burden (on its Peruvian source income), whereas residents will pay taxes on their world-wide income. At the beginning of a labour relationship, the employee can ask the employer to be treated as a domiciled employee for fiscal purposes.

Residence

An expatriate becomes a tax resident if they receive income from a Peruvian source.

Income from employment

Any payment that is given to an employee because of the labour relationship, in cash or even in kind (except some) is considered to be income from employment. The employer will deduct tax from an expatriate's salary directly unless they are not enabled to do so.

The expatriate is chargeable for income tax as soon as work starts in Peru, however a minimum salary below which income tax is not charged is in place for domiciled employees only.

Source of employment income

The source of employment income in Peru is the place in which the services are performed.

Benefits (in kind)

Benefits are subject to tax in Peru and the employer and employee are jointly liable to pay benefits tax.

Some benefits are exempt from tax where the labour contract had stated these expenses will be taken by the employer. Tax exempt benefits include: tickets at the beginning and the end of employment contract, food and housing generated during the first three months of residence in Peru, transportation and admission to Peru of household items luggage at the beginning of the contract and flights to the employees home country for vacations accrued during the term of the contract.

What taxes?

Capital gains tax

Capital gains from the disposal of movable values, carried out, outside the country are taxed with a rate of 30% and other capital gains are taxed at a rate of 5%.

Investment income

Dividends and profit distribution are considered investment income in Peru and are taxed at a rate of 4.1%.

Real estate tax

Real estate taxes are variable in Peru and dependent on the value of the real estate and the local authority. The real estate tax for expatriates in Peru is the same for both domiciled and non-domiciled tax payers.

Social security taxes

Social security taxes are paid by the employer and taxed at a rate of 9% on the employee's salary. In general cases, all employees/expatriates have the right to basic and complex medical care.

Stock options

There is no specific regulation in place for an expatriate receiving stock options and these will be taxed as income tax on employee's salary.

Wealth tax

Wealth tax applies to real estate, automobiles and pleasure craft and the taxable rate is variable. This tax affects both residents and non-residents in the same way.

Other specific taxes

Departure tax for air travel is also applicable.

For further information on expatriate tax services in Peru, please contact:

Juan Carlos Basurco

E juancarlos.basurco@pe.gt.com

Gloria Luz Chirinos Recharte

E gloria.chirinos@pe.gt.com

Philippines

Expatriates taking up employment in the Philippines will be subject to comprehensive tax rules and employment visa requirements. The expatriate tax team at Punongbayan & Araullo, the Grant Thornton International Ltd member firm in the Philippines, can help expatriates and their employers in dealing with Philippines tax and employment visa matters.

In particular Punongbayan & Araullo can help expatriates and their employers to identify Philippines tax planning opportunities, review tax equalisation policies, as well as providing compliance services regarding Philippines tax filing requirements.

Facts and figures

Pre arrival procedures

Expatriates are required to obtain a work visa before taking up employment in the Philippines. It is therefore important that the expatriate's employment contract and benefit package is structured tax efficiently before the contract is submitted to the Philippines immigration department.

Employment visas

Those seeking employment in the Philippines must secure an 'Alien Employment Permit' and apply as a non-immigrant under the pre-arranged employment visa. If the expatriate's spouse and dependent family members relocate to the Philippines, they are required to secure dependent visas, and must apply for a separate employment visa if they wish to work.

Tax year

For individuals, the Philippines tax year runs from 1 January to 31 December.

Tax returns and compliance

The due date for filing tax returns and paying the tax due is 15 April. Subject to fulfilling certain conditions, some foreign nationals are no longer required to file income tax returns. The certificate of withholding tax issued by the employer shall be regarded as a substituted filing of the expatriate's income tax return. Requests for extensions to file are not generally favoured. Despite the exemption, foreign nationals are still well advised to file an annual income tax return stamped received by the Philippine Bureau of Internal Revenue (BIR) as it is still the preferred document when transacting with various government agencies.

From the 2013 taxable year (unless further deferred) individuals filing income tax returns, are also required to disclose other income (such as passive income) from Philippine sources including those which are exempt or which have already been subjected to final taxes.



Income tax rates

Tax rates for 2013/14:

- resident or non-resident aliens engaged in trade or business – graduated rates from 5% -32%
- non-resident aliens not engaged in trade or business – final tax of 25% on gross income
- alien employees of regional or area headquarters, regional operating headquarters of multinational companies, offshore banking units, foreign service contractors and subcontractors in petroleum operations in the Philippines – 15% on gross income.

Sample income tax calculation

| 2013/2014 | | Philippine Peso (P) |
|---|----------------|---------------------|
| Employment income | | 1,400,000 |
| Benefits provided | home | 240,000 |
| | host | 200,000 |
| | total benefits | 440,000 |
| Gross income | | 1,840,000 |
| Less | | |
| Social security and other mandatory contributions | | (12,450) |
| Personal allowance | | (50,000) |
| Taxable income | | 1,777,550 |
| Income tax due | | |
| On the first 500,000 | | 125,000 |
| On the excess 500,000 (32%) | | 408,816 |
| Total tax due | | P533,816 |

Basis of taxation

Charge to tax

Foreign nationals, whether residents or non-residents, are taxed only on income derived from sources within the Philippines.

Salaries, allowances, benefits and other forms of compensation for labour or personal services performed in the Philippines are treated as Philippine-sourced income, regardless of where the payment is made.

Residence

The Philippines income tax law contains a formal definition of residence which may not necessarily apply under immigration laws. Residence requires physical presence and intent to take up residence. Each case must be determined on its own facts and circumstances. In practice, expatriates with employment contracts with local companies for a two-year stay in the country may qualify for residency for tax purposes.

Income from employment

Income from employment i.e. compensation income can either be subject to individual income tax or to fringe benefits tax.

Source of employment

Income from employment ordinarily has its source in the place in which services are performed, regardless of who pays or where payment is made.

Benefits (in kind)

In general, benefits given under an employer-employee relationship are considered taxable as compensation income. There is a short list of benefits that are exempt from tax.

For fringe benefits given to managerial and supervisory employees, whether in cash or in kind, the fringe benefits tax (FBT) is imposed. The FBT rate is the top marginal rate applicable to the expatriate.

The FBT is a tax on the income received by the employee, but the tax is borne by the employer. It is a direct liability of the employer and is required to be paid on a quarterly basis.

Benefits provided to employees which are necessary for the trade or business of the employer, or provided for the convenience of the employer, and certain benefits of small amounts (de minimis benefits) as defined in the regulations are not subject to tax, whether FBT or tax on compensation.

Expatriate concessions

Expatriates are only taxable on Philippine-sourced income. Concessions are by way of tax relief under a tax treaty, or preferential tax rates for expatriates employed by certain entities.

Relief for foreign taxes

A foreign national, whether resident or non-resident, is only subject to income tax on Philippine sourced income. As such, no credit for income taxes paid on such income to foreign countries is allowed against Philippine income tax payable.

Deductions against income

Foreign nationals (subject to the graduated rates on compensation income) are entitled to deduct personal exemptions and health/hospitalisation premium payments from gross income. There are no other deductions allowable from compensation income. No such deductions are allowed to foreign nationals subject to the 25% and 15% tax.

What taxes?

Capital gains tax

Capital gains from the sale or exchange of stocks in any domestic corporation, and gains from the sale of real and other properties located in the Philippines, are taxable in the Philippines.

Inheritance, estate and gift taxes

Estate duty is levied on the transfer of the net estate of a foreign national. Gift tax is imposed upon the transfer, by a foreigner, of property by gift or donation.

If the deceased or donor is a non-resident at the time of death or donation, as the case may be, his real and personal property outside the Philippines shall not be included as part of the taxable estate or gift.

Investment income

Interest, dividends and other investment income from sources within the Philippines are taxable.

Local taxes

Foreign nationals who are liable to file income tax returns are required to pay community tax annually in the Philippines. Expatriates owners of condominium units are also liable to real property tax.

Real estate tax

The local real property tax chargeable to expatriates owning condominium units varies depending on where the property is situated. In case of a city or a municipality within Metro Manila, the local real property tax is imposed at the rate not exceeding 2% of the assessed value of the property while it is 1% for properties located in the provinces.

Social security taxes

Social security coverage is compulsory for all individuals working in the Philippines, except for citizens of Austria, Belgium, Canada, France, Korea, Netherlands, Quebec, Spain, Switzerland and the United Kingdom, with which the Philippines has existing social security agreements. In such cases, a request for exemption will be filed with the Philippines social security authorities.

Stock options

Income from stock options received as compensation for services rendered in the Philippines is taxable based on the difference between the exercise price and the market value of the shares at the time of their exercise. The Philippines' tax authority treats the difference either as an additional compensation income subject to the regular income tax or fringe benefits liable to fringe benefit tax.

Therefore, expatriates are advised to seek special advice on the taxation of stock options, especially those that were granted prior to their assignment in the Philippines.

Wealth tax

There is no wealth tax in the Philippines.

Other specific taxes

There are no other specific taxes that apply to expatriates in the Philippines.

Tax planning opportunities

Expatriates on a short-term assignment to the Philippines may be entitled to income tax relief in accordance with the international tax treaties entered into by the Philippine government. Under most tax treaties, an expatriate who is a resident of a treaty country shall not be liable to income tax on employment exercised in the Philippines if the following conditions are satisfied:

- the expatriate's stay in the Philippines does not exceed 90 or 183 days
- the expatriate's compensation is borne by the non-resident foreign employer in the treaty country
- the expatriate's compensation is not borne by a permanent establishment in the Philippines of the foreign employer.

Expatriates are only liable to Philippine income tax on Philippine sourced income. Hence, in the case of expatriates working in the Philippines but who are often outside the country to perform their other responsibilities, tax savings can be made if their Philippine sourced income can be segregated from the income related to their services abroad.

However, this requires proper documentation and will require a review of the expatriate's employment contract.

To benefit from exemption under the tax treaties, a tax treaty relief application (TTRA) must be filed with the tax bureau before the first taxable transaction/payment.

Employers of expatriates under tax-equalisation programmes should study the implication of the programme on their withholding tax liabilities.

For further information on expatriate tax services in the Philippines, please contact:

Lina Figueroa
E lina.figueroa@ph.gt.com



Poland

Poland has a complex tax and social security law and most expatriates will need professional help in completing their tax return.

Grant Thornton Frackowiak can help expatriates and their employers in dealing with the Polish tax, as well as with the Polish labour and social security issues. In particular assisting expatriates and their employers in identifying Polish tax planning opportunities, reviewing tax equalisation policies and providing compliance services regarding the Polish tax filing requirements.

Facts and figures

Pre arrival procedures

A work permit is necessary for non-EU employees. EU employees are not obliged to obtain a work permit in Poland.

Employment visas

Visas may be required depending upon country of origin.

Tax returns and compliance

An annual tax return must, as a rule, be filed (as well as the tax due to be paid) by 30 April of the following year, stating all sources of income and showing any additional tax due. However, Polish tax non-residents leaving Poland before that date are obliged to submit the tax return for the tax year before they leave Poland.

Polish employers must withhold tax on their employees' taxable salary and make payments to the tax office by the 20th day of the month following the month of payment. However, expatriates whose salary is paid by a foreign entity, are personally responsible for monthly reconciliation of tax advances. As a rule, the deadline is the 20th day of the next month.

Tax year

The Polish tax year runs from 1 January to 31 December.

Income Tax Rates

The table below shows the tax brackets applicable in 2013

| Taxation base (PLN) | | In 2011 a tax amounts to: |
|---------------------|--------|---|
| Over | Up to | 18% minus the tax reducing amount PLN 556.02 |
| | 85,528 | |
| 85,528 | | PLN 14,839.02 + 32% on the surplus over PLN 85,528.00 |



Sample income tax calculation for a non resident executive

| | PLN | | |
|--|---------|---------|---------|
| Base Salary | | | 220,000 |
| Bonus | | | 10,000 |
| Car allowance | | | 6,000 |
| Medical benefit | | | 1,200 |
| Total earnings | | | 237,200 |
| Less: | | | |
| Fixed lump sum for expenses | | | -1,335 |
| social contributions: | 11,390 | 11.26% | -12,543 |
| | 237,200 | 2.45% | -5,811 |
| | | | -18,354 |
| Healthcare contributions | 218,846 | 9.00% | -19,696 |
| Less: | | | |
| allowance for internet (if applicable) | | | -760 |
| Net taxable income | | | 216,751 |
| Less: | | | |
| standard tax credit | | | -556 |
| | 85,528 | 18% | 15,395 |
| | 131,223 | 32% | 41,991 |
| | | | 56,830 |
| Less tax deductions: | | | |
| healthcare contributions | 218,846 | 7.75% | -16,961 |
| allowance for one child | | | -1,112 |
| Net tax liability | | | 38,758 |
| Take-home pay | 236,000 | -76,808 | 159,192 |

Basis of taxation

Charge to tax

A charge to Polish tax is dependent on whether the income arises in Poland, and the extent of the charge will be determined by an individual's tax residency status.

Residence

Taxation of individuals in Poland is determined by their residency or the source of their earnings. Unless a relevant Double Taxation Agreement (DTA) states otherwise, an individual is recognised to have a place of residence in Poland, if that person:

- holds a personal or business interest center (life interest center) on the territory of Poland
- stays on the territory of Poland more than 183 days in a tax year.

Polish residents are taxed on their worldwide income and gains. Non-residents are only taxed on their Polish income and gains.

Income from employment

A Polish tax charge arises on employment income derived from duties performed in Poland. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits in kind etc.

Source of employment

As mentioned above, where duties are performed in Poland, any remuneration received in respect of these duties is treated as Polish sourced income and therefore subject to Polish income tax regardless of the expatriate's tax residence status (subject to the relevant DTA).

Benefits (in kind)

In general, where the benefit is granted in Poland, a Polish income tax obligation will arise. Therefore housing, meal allowances, provision of a car and medical benefits will be included in Polish taxable income together with the individual's base salary. However, an employee may benefit from a tax exemption up to 500 PLN (monthly), if the employer pays the renting costs for the employee.

Expatriate concessions

There is no specific tax exemption for expatriates.

Relief for foreign taxes

Where income has been subject to double taxation (in Poland and a foreign jurisdiction), relief is applicable on the grounds of a relevant DTA.

Deductions against income

Taxable income may be decreased by appropriate donations made, up to the value of 6% of income amount per annum, and compulsory social security expenditures (paid in Poland and EEA countries). Taxable income may be also decreased by expenses incurred by the taxpayer for using the internet up to the specific limit (if not previously applied and only for two subsequent years) and also by rehabilitation costs incurred.

Moreover, child allowance (calculation dependant on number of children) and part of the healthcare premiums paid by the taxpayer are deductible from the income tax.

What taxes?

Capital gains tax

Income from capital gains (e.g. sale of shares), dividends and interest is subject to taxation at a fixed rate of 19%. The above mentioned kinds of income are not added to earnings from other sources.

Inheritance, estate & gift taxes

A liability to Polish inheritance and gift tax depends not only on the Polish location of goods and assets, but also on the Polish nationality (or Polish residence) of the beneficiary if the goods or assets are located outside Poland. The rates vary depending on the degree of relationship between the donor and the beneficiary.

Investment income

As previously mentioned, income from dividends, and interest is taxed as a rule at a fixed rate of 19%. The above kinds of income should not be added to earnings from other sources.

Local taxes

There are local taxes (the most important are those levied on real estate and transportation equipment) to which an individual is liable in Poland.

Real estate tax

The tax law only stipulates the maximum amounts of the taxes and the local authorities decide the actual rates.

Moreover, please note that the income derived from the disposal of real estate (acquired after 31 December 2006) performed within five years from the end of the year during which it was acquired, is subject to 19% income tax rate. The taxable base is the difference between the profits from the sale and costs of acquisition of the property. Please note that different rules apply to the real estate acquired before 31 December 2006.

Social security taxes

The rates for social security vary and details are included below:

| Social security contribution | Contribution as percentage of the taxable base | Financing by | |
|------------------------------|--|---------------|----------|
| | | Employer | Employee |
| Pension | 19.52 | 9.76 | 9.76 |
| Disability | 8.00 | 6.50 | 1.50 |
| Sickness | 2.45 | | 2.45 |
| Work-related accidents | 0.67 - 3.86 | 0.67 - 3.86 | |
| Total in 2012 | 30.64 - 33.83 | 16.93 - 20.12 | 13.71 |

Social security contributions for pension and disability are paid only up to an annual cumulative earning limit. In 2013 the limit is 111,390 PLN.

Moreover, there is a contribution to labour fund, which is to be financed by the employer. The contribution amounts to 2.45% of the remuneration. The employer is also obliged to pay contributions to the employees' guaranteed benefits fund amounting to 0.1% of the cumulative earning limit. Persons eligible for social insurance are subject to health insurance amounting to 9%. 7.75% of the healthcare contributions paid in a tax year may be deducted from tax.

Stock options

Shares received by the employee from the employer should be treated as taxable income from labour agreement (18% and 32%). The sale of shares is subject to taxation at a fixed rate of 19%. If additional conditions are met, there is possibility to exclude the shares from the labour contract and postpone the tax point to the moment of sale of the shares (in this case 19% rate shall apply).

Wealth tax

There is no wealth tax in Poland.

Other specific taxes

There are no other specific taxes in Poland.

Tax planning opportunities

Polish tax can be reduced by planning in areas such as:

- timing of payments
- timing and duration of assignments
- hiring on the basis of management contract rather than employment contract
- relocation expenses
- use of spousal tax return to reduce taxation
- other planning depending on the individual cases of the taxpayers.

For further information on expatriate tax services in Poland please contact:

Dariusz Bednarski

E dariusz.bednarski@pl.gt.com

Portugal

This fact sheet has been designed to provide a quick overview of basic information and planning opportunities of the Portuguese tax system. Expatriates taking up employment in Portugal will be subject to comprehensive rules and in some cases employment visa requirements. Grant Thornton Portugal's expatriate tax team can help expatriates and their employers in dealing with the Portuguese tax and employment visa requirements, namely by identifying Portuguese tax planning opportunities and providing compliance services regarding the Portuguese tax filing requirements.

Facts and figures

Pre arrival procedures

It is mandatory that the employers of non European Union (EU) nationals apply to the Portuguese labour authorities for a work permit prior to the employment of an expatriate in Portugal. This way, the expatriate's employment contract shall be written considering its tax issues before it is considered by the Portuguese labour authorities.

Employment visas

Under the work permit procedure, the non EU national, when applying for a residence working visa with the Portuguese labour authorities, shall attach a copy of their contract and any proof of qualifications to the job exercise if required in Portugal. They shall also require a labour certificate at a Labour Authority (IEFP, I.P.), so they can complete all legal procedures and start working in Portugal.

Two types of visa can be requested, temporary or residence. Temporary visas have a maximum one year duration and can be extended up to an identical period. However if the employee wants to permanently move to Portugal they can request a residence visa. The visas for family, spouse or children cannot exceed the period of the employee visa.

Nevertheless, an EU expatriate does not have to accomplish the legal steps mentioned above.

Tax returns and compliance

For 2013 (regarding income from 2012), there will be four distinct filing deadlines:

- for employment and pension income the filing period is during March (in paper format) or during April (by electronic transmissions – internet)
- for all other personal income, the filing period is during April (in paper format) or during May (by electronic transmissions – internet).

Tax payers are now obliged to indicate the tax numbers for their dependents for the purpose of tax deductions and benefits. If a taxpayer does not fulfil their obligation during the correct period, they will be subject to penalties.



Tax year

The Portuguese tax year runs from 1 January to 31 December.

Income tax rates

| Taxable income (€) | Rate (%) | Progressive tax rate (%) |
|----------------------------|----------|--------------------------|
| 0 – 7,000 | 14.5 | 14,500 |
| More than 7,000 to 20,000 | 28.5 | 23,600 |
| More than 20,000 to 40,000 | 37 | 30,300 |
| More than 40,000 to 80,000 | 45 | 37,650 |
| Over 80,000 | 48 | – |

Income obtained in 2012 is subject to a solidarity surcharge of 2.5% for taxpayers with income above €153,000.

Income obtained in 2013 is subject to a surcharge of 3.5% which covers the net value (after withholdings) that is above the national minimum wage. It is also subject to a solidarity surcharge of 2.5% for the income between €80,000 and €250,000 and a 5% rate for income above €250,000.

Personal tax deductions apply to Portuguese tax residents which are based on their personal tax circumstances.

Sample income tax calculation – 2013

| Portugal € | | (Single individual with no children) | |
|------------------------------|----------------|--------------------------------------|------------------|
| Employment Income | | | 60,000 |
| Benefits provided: | Home | 4,500 | |
| | Company car | 2,250 | |
| | Total Benefits | | 6,750 |
| Gross income | | | 66,750 |
| Less | | | |
| Pension scheme contributions | | | (7,342.50) |
| Taxable income | | | 59,407.50 |
| Tax at 30.3% | First 40,000 | 12,120.00 | |
| 37% | On balance | 7,180.78 | |
| Total tax | | | 19,300.78 |
| Less | | | |
| Personal tax deduction | | | (213,75) |
| Other deductions | | | (286,25) |
| Tax bill | | | 18,800.78 |
| Effective tax rate | | | 28.17% |

Basis of taxation

Charge to tax

A charge to Portuguese tax is dependent on whether the income arises in Portugal and the extent of the charge will be determined by an individual's tax residency status.

A resident of Portugal is taxed on his worldwide income for the period of residency. A non-resident of Portugal is taxed on Portuguese source income only.

Residence and domicile

Exposure to Portuguese tax will be determined by the expatriate's residence and domicile status.

Tax residence in Portugal is determined by the expatriate's actual presence within a tax year. The expatriate will be treated as Portuguese resident where:

- they spend 183 days or more in Portugal in any tax year
- they have stayed less than that period but on 31 December, live in Portugal and intend to continue doing so (eg own a dwelling in Portugal).

In both cases, it is important to note that once an individual becomes a Portuguese tax resident, their family (i.e. the spouse and dependent children) will also become Portuguese tax residents.

If the spouse does not meet the conditions referred above, then the spouse must show proof that there is no connection between their majority of economical activity and the Portuguese territory. If this is the case, then they can be treated as a non-resident subject to taxation only for the income obtained in Portugal.

In this case the expatriate will file a tax return only with his/her Portuguese income and his/her part of the family income.

Otherwise, they have to present joint tax returns.

Besides the above, the expatriate could opt to be considered as a non-habitual resident in Portugal, if meeting the following conditions:

- the expatriate must become a tax residence in Portugal, according to any of the criteria set out above
- obtain a tax residence certificate and also a certificate attesting the effective taxation abroad for the last five years
- the expatriate must not have been taxed in Portugal as a resident over the past five years.

The habitual residents could benefit from a 20% rate on income from employment or self-employment (if it comes from the exercise of scientific or technical professions of high value) earned in Portugal, benefiting from exemption on the income earned abroad. This is provided that such income was subject to effective taxation at the state of source of that income, under the rules of the Double taxation agreement (DTA) between Portugal and the respective state of source. In relation to the passive income when earned abroad, it will be exempt from tax if it is not considered to be earned in Portugal, the source state is not included in the black-list and if it was subject to tax in the source state. The tax regime applicable to the non-habitual residents in Portugal is applicable for a period of ten consecutive years.

Income from employment

A Portuguese tax charge arises on employment income derived from duties performed in Portugal.

Income from employment includes all forms of remunerations as salary, wages, commissions, gratuities, overtime premiums bonuses, benefits in kind and other accessory fixed or variable remunerations of contractual nature or not.

There is also a requirement on the expatriate's employer to deduct Portuguese payroll withholding tax from the assessable employment income.

Source of employment

As mentioned above, where duties are performed in Portugal, any remuneration received in respect of these duties is treated as Portuguese sourced income and subject to Portuguese income tax regardless of the expatriate's tax residence status (subject to the relevant DTA).

Benefits (in kind)

In general, benefits in kind are subject to Portuguese tax (for the provision of a car to be taxable as the income of the worker, it is necessary that a written agreement attributing the benefit to the worker exists). Therefore, housing, meal allowances, provision of a car and relocation allowances will come within the charge to Portuguese income tax in addition to the individual's salary. In the case of health or life insurance, those can be exempt if established for the majority of the employees and in an objective and identical criteria for all employees, while not belonging to the same professional class.

Expatriate concessions

The only expatriate concessions available are with respect to diplomatic missions and cooperation agreements with other countries.

Relief for foreign taxes

Where income has been simultaneously subject to tax in Portugal and in a foreign jurisdiction, relief will always be granted by the Portuguese tax authorities in a manner similar to what is provided for in the relevant DTA (around 60 are included in the Portuguese net treaty).

Deductions against income

Certain expenses can be provided by an employer free of income tax up to a certain amount (e.g. meal and travel allowances).

Limits are stipulated for the total amount deductible from taxable income as well as for the use of tax benefits contained in the tax benefits law.

Both vary depending on the level of taxable income, as follows (please refer to income tax rates table):

- the limit on deductions from taxable income relates only to taxpayers whose taxable income is included in the last four income brackets being zero in the last one
- the limit with regard to tax benefits will apply from the second and following levels of income brackets.

What taxes?

Capital gains tax

Capital gains are deemed to be the difference between the gains and the loss accomplished in the same year in respect of the same type of assets (real estate property, shareholding, etc.).

In the case of real estate property, capital gains earned by Portuguese tax residents will be taxed on only 50% of its amount, being subject to the progressive rates (from 14.5% up to 48%, plus a surcharge of 3.5%) depending on the level of the taxpayers income.

It must be stressed that capital gains obtained on selling immovable properties located outside Portugal are also subject to Portuguese personal income tax.

Nevertheless, Portuguese net of tax treaties allows capital gains to be taxed in the country where the property is located, therefore taking those capital gains outside Portuguese taxation.

Capital gains obtained by non residents on the selling of Portuguese properties are subject to a flat rate of 28%.

In both cases, the acquisition price is adjusted by a coefficient whenever 24 months have elapsed between the date of the sale and the date of the acquisition of the property.

Capital gains arising from disposal of shares are subject to a flat rate of 28%, applicable both to Portuguese tax residents and nonresidents.

Inheritance, estate and gift taxes

This tax has been abolished as from 1 January 2004. In some cases (not involving transmission from parents to children and vice versa), this tax was replaced by stamp duty at the rate of 10% applicable to the transmission of all types of assets.

Investment income

Dividends, interest and other financial incomes are subject to taxation once they become due or assumed to be due or when they are at the holder's disposal. Such incomes are in many cases subject to withholding tax, which is always a final tax for non residents.

It is important to note that dividends paid by Portuguese companies to Portuguese tax resident individuals, if aggregated with all other incomes, are taxed at only 50% of its amount. In this case, it is mandatory to aggregate all other financial income even subject to the flat rate. Otherwise, dividends are subject to a flat rate of 28%.

Local taxes – IMI (municipal property tax)

Same rules as for IMT (see ‘real estate tax’ below) are also applicable to IMI, which only considers immovable properties located in Portugal.

Tax rates are 0.8% for non-urban properties and between 0.3% and 0.8% for urban properties.

Real estate tax – IMT (real estate transfer tax)

Any immovable property located in Portugal is subject to IMT, whether purchased by a resident or not.

The purchase of urban property for dwelling purposes is not subject to IMT for values up to €92,407. For higher values, rates can go up to 6%.

The purchase of non-urban properties is taxed on a 5% rate and other urban properties purchases are taxed on a 6.5% rate.

Social security taxes

Where duties are performed in Portugal, generally a charge to Portuguese Social Security (PSS) will arise. The expatriate will be treated as an employee and subject to PSS at 11%. The employer will also be required to contribute 23.75% of the relevant income and benefits to PSS.

A new ‘Social Security Contributions Code’ entered into force on 1 January 2011, which expands the basis of the contributions and aligns the social security legislation more closely with the Personal Income Tax Law (IRS). Travelling expenses, representation expenses, personal use of the car, transport expenses, compensation due to contract termination are now subject to social security contributions. There are some specific provisions of the IRS on which social security contributions are calculated.

Certain changes included in the social security law were postponed to 2014 in relation to certain provisions, namely the provision regarding different employer’s contribution rates (which currently stand at 23.75%), according to the kind of the employment contract. This deferral includes an increase of the contribution rate by 3% (to 26.75%) for fixed term employment contracts and the reduction of the contribution rate by 1% (to 22.75%) for permanent employment contracts.

There are some components of contributory base that started being considered in 2011, as provided for in the initial version of the law, but was implemented progressively: 33% in 2011; 66% in 2012 and 100% in 2013.

PSS must be collected at source along with payroll taxes.

Where the expatriate is transferring from a EU jurisdiction and holds the relevant documentation an exemption to PSS will apply.

Where the expatriate is transferring from a jurisdiction outside the EU with which Portugal holds a bi-lateral agreement and the expatriate holds the relevant documentation an exemption to PSS will apply.

Where the expatriate is transferring from a jurisdiction that does not fall into one of the above categories, the PSS rules will determine their liability.

Stock options

Stock options can be taxed in the following moments:

- moment of acquisition – if the price of acquisition benefits the employee vis a vis third parties
- moment when the option is exercised or when the stocks are sold or the employee renounces to the right of such option in favour of the employer, if a gain is obtained (i.e. whenever there is a difference between the price of exercising or alienating such right and the price of the stock).

The Portuguese law considers that the worker’s income includes the benefits or privileges conferred by the employer to any of the worker’s family members.

Wealth tax

There is no wealth tax in Portugal.

Tax planning opportunities

Most tax planning involves the structuring of employment arrangements to take advantage of various tax concessions.

Grant Thornton Portugal’s tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in Portugal please contact:

Joaquim L. Mendes
E joaquim.mendes@pt.gt.com

Puerto Rico

Expatriates taking up employment in Puerto Rico will be subject to comprehensive tax and employment visa requirements. US immigration rules apply in Puerto Rico. Before visiting or working in Puerto Rico, foreign nationals must obtain visas from a US embassy or consulate. The tax team at Kevane Grant Thornton can help expatriates and their employers to deal with Puerto Rico's tax requirements.

In particular Kevane Grant Thornton can help expatriates and their employers to identify Puerto Rico's tax planning opportunities and review tax equalisation policies, as well as providing compliance services regarding Puerto Rico and the United States' tax filing requirements.

Facts and figures

Pre arrival procedures

US immigration rules apply in Puerto Rico. Expatriates taking up employment in Puerto Rico will be subject to income tax rules. Before visiting or working in Puerto Rico, foreign nationals must obtain visas from a US embassy or consulate. Kevane Grant Thornton's tax team can help expatriates and their employers to deal with Puerto Rico's tax requirements.

In particular, Kevane Grant Thornton can help expatriates and their employers to identify Puerto Rico's tax planning opportunities, review tax equalization policies, as well as providing compliance services regarding the tax filing requirements of Puerto Rico and the United States

Employment visas

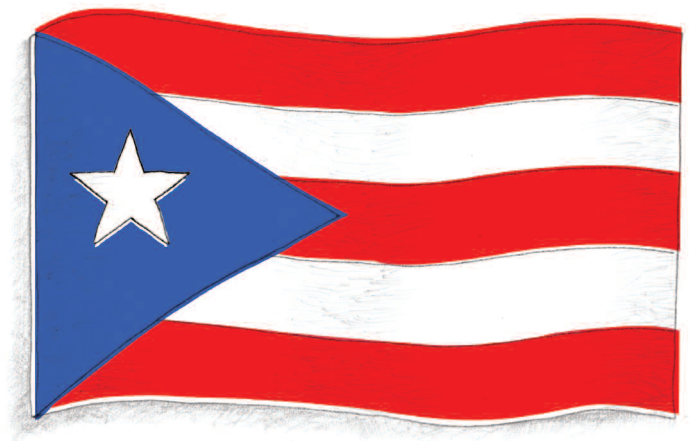
Foreign nationals who wish to work in Puerto Rico on a temporary basis (that is, they will not obtain permanent residence) must be certified by the US Department of Labor. A petition from a local employer must generally be attached to the visa application. A person holding a temporary visitor's visa cannot be employed by a Puerto Rican employer.

Again, US immigration rules are fully applied in Puerto Rico.

Where the expatriate is a US citizen the above procedure is not required.

Tax returns and compliance

Personal tax returns should be filed by April 15 following the end of the tax year concerned. Various extensions to file are available. Even when the required amount is withheld by the employer and deposited with Puerto Rico's (PR) Treasury Department, the taxpayer has the right to file a PR individual income tax return to claim applicable exemptions, deductions and to pay tax according to the progressive tax tables applicable to resident individuals.



The following taxpayers are required to file a PR income tax return:

- every individual resident of PR, who during the taxable year has a gross income over \$5,000
- every resident of PR who is married living with a spouse, who during the taxable year has a gross income over \$5,000
- every individual non resident of PR, citizen of the United States, who during the taxable year has a gross income over \$5,000 unless the taxes have been totally paid at source
- every non resident of PR, citizen of the United States, who is married living with spouse, who during the taxable year has a gross income from PR over \$5,000, unless the taxes have been totally paid at source
- every non-resident alien who has a gross income from sources within PR, unless the taxes have been totally paid at source.

Tax year

Puerto Rico's tax year for individuals usually runs from January to December.

Income tax rates for 2012

| Taxable income (US \$) | Tax payable (US \$) |
|---------------------------|---------------------|
| US\$ 0 – US\$ 6,500 | 0% |
| US\$ 6,501 – US\$ 23,000 | 7% |
| US\$ 23,001 – US\$ 41,300 | 1,155 plus 14% |
| US\$ 41,301 – US\$ 61,300 | 3,717 plus 25% |
| US\$ 61,301 – Over | 8,717 plus 33% |

Ordinary tax rates will be gradually adjusted during the next three years as prescribed by the Puerto Rico Internal Revenue Code of 2011.

There is a gradual adjustment of the lower tax rates, the personal exemption and credit for dependents for taxpayers whose net taxable income is over \$200,000. The law also provides for an Alternative Minimum Tax.

Sample income tax calculation for year ending 31 December 2012

| | US\$ | US\$ |
|---|---|--------------|
| Employment income | | 74,500 |
| Benefits provided (taxable) | Home 3,450 Host 24,750 Total Benefits | 28,200 |
| Gross income | | 102,700 |
| Less | | |
| Qualified pension contributions (employees) | | (10,000) |
| Overseas workdays (20% of gross income) | | (20,540) |
| Personal allowance | | (7,000) |
| Taxable income | | 65,160 |
| Tax bill | | 9,990 |

Basis of taxation

Charge to tax

Puerto Rico residents are subject to income tax on their worldwide income. Those that are non resident are subject to Puerto Rico tax on their Puerto Rico source income.

Residence

As mentioned above, the income that will be subject to Puerto Rico's income tax will be determined by the expatriate's residence status.

Tax residence

In Puerto Rico (PR), anyone who is present in PR for a period of 183 days or more within a taxable year could be considered a resident. Other facts and circumstances, in addition to the number of days spent in PR, are considered when determining whether an expatriate is considered a resident or not. A very important aspect to consider is the intention of the taxpayer as to the length and nature of their stay.

For US purposes, Internal Revenue Code section 937 has established new rules to determine whether an expatriate is considered a resident of PR. To be considered a bona fide resident, the expatriate must meet both of the following two criteria:

- be present in PR for at least 183 days during the taxable year, and
- not have a tax home outside PR and must not show closer connections to the US or any other foreign country than to PR.

Determination of residency is important, because a PR resident will be taxed in PR on his/her worldwide income, which is all his income from whatever source it is derived. A non-resident, however, will be taxed in PR on his PR source income only, which in the expatriate's case would usually be the portion of their income earned for the services performed in PR.

Income from employment

In the case of a non resident, a charge to tax in Puerto Rico will be assessed on employment income derived from services rendered in Puerto Rico. Some exceptions apply, depending on the amount of income generated in Puerto Rico and the time spent in Puerto Rico. If the expatriate is considered a PR resident, then all his/her income, no matter where earned or derived, will be taxed in Puerto Rico.

Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc. that constitutes compensation for services.

There is also a requirement for the expatriate's employer to withhold Puerto Rico's income tax from the assessable employment income. The applicable rates will depend on the expatriate's residence status. In the case of a non-resident U.S. citizen the required withholding is 20% of his/her PR income, while in the case of an alien, the required withholding is 29% of his/her PR income. Resident expatriates will have their tax withheld at source at the applicable tax rates (see income tax rates for 2011 section under facts and figures).

Source of employment

As mentioned above, when services are rendered in Puerto Rico, the income derived is PR source income and subject to PR taxation for both residents and non-residents. In addition, in the case of resident expatriates, all other worldwide income will also be subject to Puerto Rico taxation.

Benefits (in kind)

In general, where the benefit is enjoyed in Puerto Rico, a PR income tax charge will arise. Therefore, housing, meal allowances, provision of a car and relocation allowances will be subject to PR income tax. This will be in addition to the tax on the expatriate's salary if these are considered compensation and not reimbursement of expenses incurred away from the expatriate's tax home.

Expatriate concessions

There are no expatriate concessions in Puerto Rico.

Relief for foreign taxes

In the case of resident expatriates, a foreign tax credit may be claimed for taxes paid to any foreign country (including US) on income also being taxed in Puerto Rico.

Deductions against income

Certain expenses can be provided by an employer free of income tax where they qualify as wholly, exclusively and necessarily incurred in the performance of employment duties.

PR residents are allowed certain deductions. Since PR law cannot discriminate, non-resident US citizens are allowed the same deductions determined using the proportion of their PR income over their total income.

A non-resident alien is allowed only deductions directly related to the income generated in PR. He would not be allowed any other deductions or personal or dependent exemptions. The advantage of filing a tax return for a non resident alien providing services in PR is that he/she would be considered as engaged in business in PR and as such will be able to use the graduated tax rates instead of being subject to a flat 29%.

What taxes?

Capital gains tax

Long term capital gains are subject to a maximum rate of 10% as of 2012. Short term gains (six months or less) are subject to the regular income tax rates. Again, an expatriate's exposure to income tax on capital gains will be determined by their Puerto Rican tax residence status. Under the new provisions of the PR Internal Revenue Code, capital gain source of income on the sale of personal property in general, depends on the residence status of the taxpayer. In general, capital gains tax will be assessed on net gains after deducting the cost of acquisition of the asset from sale proceeds.

Inheritance, estate & gift taxes

A liability for estate and gift depends on the expatriate's Puerto Rico tax residence and domicile position. Non resident expatriates will be subject to Puerto Rico estate and gift taxes only upon the transfer of Puerto Rico property.

Investment income

The expatriate's tax residence status determines whether investment income such as interest, dividends etc, is subject to Puerto Rican income tax.

Local taxes

There are no other local taxes for the expatriate to consider.

Real estate tax

Real estate tax rates fluctuate depending on the municipality the property is located in. Rates vary from 7.80% to 10.33%. Expatriates are affected only if they own real property, i.e. a house, in Puerto Rico.

Social security taxes

United States social security contributions apply in Puerto Rico on the same basis and rates as in the US. Please refer to these rules to determine how they may affect your assignments to Puerto Rico.

Stock options

Stock options may be qualified or non-qualified. The tax advantages of qualified stock options are generally the deferral of the imposition of the income tax on compensation and generating a capital gain later when the shares are disposed of after holding them for at least six months and a day.

Wealth tax

There is no wealth tax in Puerto Rico.

Other specific taxes

There are no other specific taxes related to expatriates in Puerto Rico.

Tax planning opportunities

Where a foreign assignment continues to exist and parts of the expatriate's duties are performed outside of Puerto Rico, any employment income received in respect of the foreign duties will remain not subject to Puerto Rican tax, provided the expatriate is not a resident of Puerto Rico.

For further information on expatriate tax services in Puerto Rico, please contact:

Maria de los A. Rivera
E maria.rivera@pr.gt.com



Russia

This fact sheet provides an overview of the Russian tax system and planning opportunities. Expatriates taking up employment in Russia will be subject to comprehensive rules and in most cases employment visa/work permit requirements. Grant Thornton's expatriate tax team can help expatriates and their employers in dealing with Russian tax and employment visa requirements.

In particular Grant Thornton can assist expatriate and their employers in identifying Russian tax planning opportunities, obtaining work permits/visas and provision compliance services regarding Russian tax filing requirements.

Facts and figures

Pre arrival procedures

Employers are entitled to attract foreign labour force and foreign employees only upon receipt of appropriate individual work permit as well as confirmation of the right to handle labour activities issued for the company by state authorities. Highly qualified personnel (with annual remuneration exceeding RUR 2,000,000) may enjoy simplified procedure.

Employment visas

Expatriates granted with work visas will not be required to apply for residence visas. However, each member of an expatriate's family who accompanies him to Russia must apply for a residence visa.

Tax year

The tax year in Russia runs from 1 January to 31 December.

Tax returns and compliance

Most Russian and expatriate employees working in Russia pay their tax through payroll withholding and are not required to file a tax return. However, certain categories of individuals are obliged to file personal income tax returns. These individuals are:

- individual entrepreneurs
- persons with any types of income without tax withholding
- persons with income from foreign sources
- persons with income from sale of property.

The personal tax return should be filed by 30 April following the end of the tax year concerned.

In addition foreign nationals are obliged to file tax returns one month prior to intended departure from Russia provided they are not planning to come back to Russia in the same tax period.

Income tax rates – tax resident

Personal income tax

Currently a system of flat rates is applied for the purpose of taxation of individuals' income. The basic rate is equal to 13%.



Some types of income are subject to other tax rates. Thus, for example, income received in the form of dividends is subject to a 9% rate. The tax shall be calculated, withheld and paid by the source of income.

Some specific types of income including, but not limited to, deposit interest in excess of certain rates, grants, prizes, and interest savings are subject to the individual income tax at the rate of 35%.

Personal income tax rates

| Resident Status | Tax base | Rate of personal income tax |
|-----------------|---|-----------------------------|
| Resident | Worldwide income | 13% |
| Non-resident | Income derived from sources in Russian Federation | 30% |

Income obtained by non-resident individuals is subject to the rate of 30%.

Income of the highly qualified specialists is subject to the rate of 13%. This rate is applicable from the first day of arriving in the territory and applies to salary connected to the HQS labour contract only. Other income such as accommodation allowance, meal allowance, material aid or gifts are subject to the 30% rate. The highly qualified specialists are defined as employees with annual salary exceeding RUR 2,000,000.

When determining taxable base tax residents may apply standard tax deductions, property tax deductions, social tax deductions and professional tax deductions.

Sample income tax calculation

| Russia | RUB | Tax rate | Calculation |
|-------------------|----------|----------|-------------|
| Salary | 25,000 | 13% | 3250 |
| Dividends | 1,400 | 9% | 126 |
| Ad campaign prize | 5000 | 35% | 1750 |
| Tax Bill | RUB 5126 | | |

Basis of taxation

Charge to tax

Russian residents pay Russian personal income tax from their worldwide income.

Non-residents pay Russian personal income tax from their income derived from sources in the Russian Federation.

Income is treated as sourced from the Russian Federation where it relates to activities performed within Russia or to investment made to the Russian Federation.

Residence

Tax residence in Russia is determined by the individual's actual presence within last 12 months. The individual will be treated as Russian tax resident where they spend 183 days or more in Russia within the last 12 calendar months.

Income from employment

All forms of remuneration received in respect of the performance of employment duties are treated as employment income.

Source of employment

As mentioned above, employment income will be treated as sourced from the Russian Federation where it relates to activities performed within Russia.

Benefits (in kind)

In general where the benefit is enjoyed in Russia, Russian personal income tax will arise. Therefore, housing, meal allowances, provision of a car and relocation allowances will come within the charge to Russian personal income tax in addition to the individual's salary.

Expatriate concessions

Where income has been subject to tax twice; in Russia and a foreign jurisdiction, relief can be granted by the Russian tax authorities where provided for in the relevant double tax treaty.

Relief for foreign taxes

Depending on double tax treaty provision foreign taxes might be conditionally offset against Russian taxes or foreign sourced income might be exempt from Russian taxation.

Deductions against income

Certain expenses can be provided by an employer free of personal income tax where they qualify as wholly, exclusively and necessarily incurred in the performance of the employment duties.

What taxes?

Capital gains tax

Capital gains are treated as income and subject to tax. However, income from the sale of shares in Russian companies, which were owned continuously by a taxpayer for more than five years, is exempt from personal income tax. This rule is only applicable to shares acquired after 1 January 2011.

Inheritance, estate and gift taxes

No inheritance tax. No state duties on sale of real estate (except for capital gain tax). Gifts are subject to personal income tax at the relevant rates.

Investment income

Investment income made in the Russian Federation will be considered Russian sourced and chargeable to tax in Russia.

Local taxes – land tax

Land tax is established by local authorities and paid by the owners of land plots. Maximum tax rates can vary from 0.3% to 1.5% depending on type of the territory and apply to cadastral value of the land plot.

Real estate tax

Property tax is imposed on value of immovable property situated on the territory of Russia owned by individual. Tax rates and tax relieves are established by local authorities.

| Total value of property owned by an individual | Maximum tax rate (apply to Moscow) |
|--|------------------------------------|
| Up to USD 10,700 | 0.1% |
| From USD 10,700 to USD 17,800 | 0.2% |
| Over USD 17,800 | 0.5% |

Social contributions

| Tax base for each individual employee on a cumulative total from the beginning of the year | Rate of social contributions |
|--|------------------------------|
| Up to RUR 624,000 | 30% |
| Over RUR 624,000 | 10% |

Reduced rates of the social contributions are provided for particular areas, for example, for IT companies (14%).

Where duties are performed in Russia, generally a charge to Russian social contributions will arise. Social contributions are payable by the employer and deductible for profits tax purposes.

From 1 January 2012 wages of foreign nationals residing in the Russian Federation on a temporary basis (eg, employees of permanent establishments of foreign companies or foreign nationals employed by Russian companies) were included into social contributions base provided an employment contract with a foreign employee is concluded for an indeterminate period or a period not less than six months.

Stock options

Specific advice should be sought from our Russian offices.

Wealth tax

See 'Real estate tax'.

Other specific tax – vehicle owners tax

Vehicle owners tax is charged from most types of self-moving vehicles which are registered with relevant state authorities. For example, tax is applicable to automobiles, motorcycles, airplanes, vessels, snowmobiles, etc. Tax rates depend on the vehicle's power.

Tax planning opportunities

Most tax planning involves the structuring of employment arrangements to take advantage of various tax concessions. Grant Thornton Russia's tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in Russia please contact:

Alexander Sidorenko

E alexander.sidorenko@ru.gt.com

Sergey Kalinin

E sergey.kalinin@ru.gt.com



Senegal

There are important tax obligations and opportunities which should be known and respected in Senegal.

The Senegal expatriate tax team is available to assist employers and expatriates in all services regarding the settlement and the regularity of the employment of expatriates in Senegal for a good relationship between the Senegalese tax, labour and social authorities.

For an overview of the Senegalese tax and social security systems, which expatriates taking up employment in Senegal will be subject to, and also planning opportunities, we recommend a thorough review of our expatriate tax e-book.

Facts and figures

Pre arrival procedures

Foreigners will need a visa to enter Senegal. The duration of the visa cannot exceed three months. Foreigners will require a work permit for taking up employment in Senegal. The work permit justifies the regularity of employment duties performed in Senegal. It is delivered only if the employment contract is signed by Senegalese Labour and Social Security Department. So it is important that the expatriate's employment contract and benefit package are structured in a tax efficient manner before submitting the contract to the Senegalese authorities. In case of a part salary charged by the home country, the employee has to get a personal tax number.

Employment visas

Employees and their families who are in Senegal for over three months must have a residence permit. For this they must submit to the Foreigners Direction the following documents:

- a request for residence permit
- a medical certificate delivered by a doctor established in Senegal
- an extract of criminal record dated of less than three months

- a family record book (for those married)
- a copy of the passport
- a copy of the contract of employment
- a birth certificate
- three identity photos
- three last bank statements or a commitment of care or coverage delivered to the spouse unemployed
- a stamp of CFA 15,200
- a guarantee of repatriation (the amount depends on the nationality).

Tax year

The Senegalese tax year starts on 1 January to 31 December.

Tax returns and compliance

The employers are liable for the payment of tax on wages which they are charged. They have to withhold and pay taxes due every month. Also, on 31 January, they make the annual declaration of employees and all relevant information about wages paid, employees social status (single, married, divorced with or without children), spouse with or without revenue, withholding taxes done and paid.

Penalties are due for any late declaration.



Payment of the Senegalese tax

Tax on salary is paid monthly by employers, for the last month, on the 15th of the following month.

Wage income less than XOF 630,000 is free of tax.

But if the Senegalese employer pays just for a part of the expatriates salary, they are liable only for taxes due on this part of the salary. For the other part supported by the housing company for the duties performed in Senegal, the expatriate is liable of. He has to file his global salary (hosting + housing) at least, before 1 March. Withholding taxes made by the hosting company is considered as a tax credit and subtract on the global tax due if there is a tax treaty signed between Senegal and the hosting country applicable.

An annual declaration is compulsory for any expatriate who gets income which is not from the Senegalese employer (eg investment).

The payment of tax due on his annual global income is done according to these two following points:

- the first period of liability, the taxpayer shall pay once a year, the global amount of the tax due for the first tax year
- the following years, based on the tax paid the previous year; the payment is done according to these three following tax instalments:
 - first instalment: 1/3 of the amount paid the previous year not later than 15 February
 - second instalment: 1/3 of tax due for the previous tax year on 30 April
 - last instalment on 15 June.

Income tax rates – tax resident

We note the cancellation of the proportional right except for investment incomes. For all other individual incomes the tax due is calculated basis on a progressive right determined with:

- the total annual gross taxable income
- the following brackets.

| Income bracket | Tax amount |
|------------------------|------------|
| 0 – 630,000 | 0% |
| 630,001 – 1,500,000 | 20% |
| 1,500,001 – 4,000,000 | 30% |
| 4,000,001 – 8,000,000 | 35% |
| 8,000,001 – 13,500,000 | 37% |
| Above 13,500,001 | 40% |

The income tax rate cannot exceed 40%.

If the amount of the income per part determined is less than 630,000 F CFA, there are no tax due.

The progressive right corresponds to the income tax due for a single. But, considering the family charge, a tax reduction for dependents is given to the employee married, widowed, divorced with or without children.

Family dependents are estimated according to the following evaluation:

- 1 for single, widowed, divorced
- 1.5 married
- 0.5 if spouse doesn't have revenue
- 0.5 part for each dependent child, 1 part for the child major but disabled and dependent.

The total parts estimated cannot exceed five parts per employee.

Determination of the tax reduction for dependents:

| Number of parts | Rate (%) | Minimum | Maximum |
|-----------------|----------|---------|-----------|
| 1 | 0 | 0 | 0 |
| 1.5 | 10 | 100,000 | 300,000 |
| 2 | 15 | 200,000 | 650,000 |
| 2.5 | 20 | 300,000 | 1,100,000 |
| 3 | 25 | 400,000 | 1,650,000 |
| 3.5 | 30 | 500,000 | 2,030,000 |
| 4 | 35 | 600,000 | 2,490,000 |
| 4.5 | 40 | 700,000 | 2,755,000 |
| 5 | 45 | 800,000 | 3,180,000 |

Finally for married, widowed, divorced with or without children tax payable is determined by subtracting tax reduction from progressive right calculated.

Basis of taxation

Charge to tax

The expatriate is taxed on the portion of the income which the company in the host country has in charge. The residency status determines whether an expatriate pays local tax. If they are considered as a Senegalese resident, taxes are due on the global annual income (hosting and housing). Non residents pay taxes only on the income corresponding to a remuneration paid for work performed in Senegal or for benefit of a Senegalese company. Residents pay taxes on worldwide income.

Residence

The residency or the source of earnings, determines the taxation of individuals in Senegal.

Individuals are considered as a resident in Senegal for Senegalese tax purposes, if they are in one of these following situations:

- they have their main home in Senegal or their main abode
- they carry on a professional activity in Senegal unless this activity is carried on therein incidentally
- they have the center of their economical interests in Senegal.

Individuals who are Senegalese resident are taxed on their worldwide income and gains.

Non-residents are only taxed on their Senegalese income and gains.

Income from employment

All income consecutive of duties performed in Senegal according to an employment contract are taxable in Senegal. Taxable income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc.

An expatriate becomes chargeable for income tax when he works more than six months in Senegal. The employer has to withhold taxes from salary every month and to pay taxes by the 15th of the following month.

All the salary is not taxable. An amount estimated to 30% and which cannot exceed 900,000 XOF if tax free.

Source of employment

According to Senegalese tax law, the source of employment of expatriates is the location of where duties are performed. According to Senegalese tax law, all income received in respect of the employment contract duties is treated as Senegalese sourced income and therefore subject to Senegalese income tax regardless of the expatriate's tax residence status (subject to the relevant double taxation treaty).

Benefits (in kind)

About benefits, we have two cases: benefits considered as a remuneration of a service provided and benefit considered as a reimbursement of charge supported by the employee by doing their job.

Benefits are considered as a part of the salary and taxed according to an administrative estimation (eg house in Dakar XOF 33,500/room/month, electricity XOF 30,200/room/month, house keeper XOF 61,700/ month, foods: real value, cash: real value).

The employer has only to pay tax on benefits he is charged for. Benefits considered as a reimbursement of charges supported and justified by the employee by doing their job are exempt from tax.

Expatriate concessions

Expatriates are submitted to the same taxes as Senegalese unless a tax treaty exists between Senegal and their home country.

Relief for foreign taxes

Expatriate resident is taxed in Senegal on worldwide income. So in some cases, the same income could be subject to tax twice (in Senegal and a foreign jurisdiction). In that case, credits or exemptions depend on the application of double taxation treaty.

Deductions against income

Expatriate's cost or expenses which the host company has in charge, could be subject to analysis before any exemption from taxes.

What taxes?

Capital gains tax

There is a tax provision which regulates capital gains in Senegal. It is included in the Senegalese general tax code.

Tax on capital gains on shares is 1% on the third portion of the Capital gains value when shares are sold at the end of the activity or partially. The rate is applied on half of the value of capital gains when the transfer is done in the five years of beginning of the activity.

Inheritance, estate and gift taxes

A liability to Senegalese inheritance and gift tax depends not only on the Senegalese tax residence position of the deceased/donor and of the beneficiary, but also on the Senegalese location of real estate and assets when the deceased/donor is not resident in Senegal. The rates vary depending on the degree of relationship between the donor and the beneficiary. For example, the rate between a married couple is 3% and with a direct relative 5%.

Investment income

Interest income, dividends and bond income are considered as investment income in Senegal and subject to specific tax measures included in the general tax code. The rate depends on the type of investment: the rate for dividends is 10%; for interest income it is 8% or 13% and for bonds it is 6%.

Local taxes

Local taxes are applied in Senegal on developed properties, undeveloped properties, dwelling, Refuse collection tax, trading licence. Expatriate resident are liable on.

Real estate tax

Determined basis on progressive right and applicable on net real estate rental income. 5% for the building land and non building properties.

These taxes can affect expatriate revenues in Senegal when they acquired properties in Senegal.

Social security taxes

Social security tax is applied in Senegal, the rate depends on the kind of activity. Regardless to the degree of risk in activity, the rate is 8%, 10% or 12% applied on salary limited to 63,000 F CFA. Social security tax is supported globally by the employer.

To preview any risk, expatriates who are performing duties in Senegal legally, become entitled to benefits of social security tax paid by their employers.

Stock options

There is not yet a tax regulation of stock options in Senegal.

Wealth tax

Individual wealth is appreciated and taxed according to an administrative assessment of elements considered as a fact of wealth. The income evaluated is included in the base of taxable income before determining the annual tax due.

| Elements of wealth | Annual set taxable income corresponding |
|---|--|
| 1. Main and second houses in Senegal or out of Senegal, maintenance cost If there is swimming pool | Rental value *3 500,000 francs/ Pool |
| 2. Guard, gardener, cooker and others per person | 400,000 francs |
| 3. Vehicles a. More than 20 CV b. 20 to 15 CV per car c. less than 15 CV per car | 3,000,000 francs 2,500,000 francs 2,000,000 francs |
| 4. Pleasure Boats a. Up to three ton b. per ton from three until 10 | 200,000 francs 5,000 francs 100,000 francs |
| 5. Pleasure boats with outboard engine fixed a. for the first 20 horse power b. per additional horse power | 300,000 francs 20,000 francs |
| 6. Racing horse a. per thoroughbred horse b. per half thoroughbred horse c. per ordinary horse | 1,500,000 francs 1,000,000 francs 500,000 francs |
| 7. Orchards | According the average revenue per hectare |
| 8. Light aircrafts | 20,000,000 francs |
| 9. Abroad travels The revenue will retain the cost of the travel and the length of the stay, cost of the travel, accommodations. | Real costs: 40,000,000 F/jour |

Tax planning summary

| Earnings description | Planning possible |
|--------------------------|-------------------|
| Base salary | Y |
| Bonus | Y |
| Cost of living allowance | Y |
| Housing | Y |
| Home leave | Y |
| Club membership | N |
| Moving expenses | Y |
| Foreign service premiums | Y |
| Education/schooling | Y |

For further information on expatriate tax services in Senegal please contact:

Mbayang Sarr
E mbayang.sarr@sn.gt.com

Singapore

Expatriates taking up employment in Singapore will find useful information in this tax fact sheet which also contains information concerning employment visa and social security contribution requirements.

The tax team of Grant Thornton Singapore can help expatriates and their employers in dealing with the statutory compliance requirements and procedures as well as in the realisation of their plans.

In particular Grant Thornton can assist expatriates and their employers in identifying Singapore tax planning opportunities, reviewing tax equalisation policies and complying with the various filing requirements.

Facts and figures

Pre arrival procedures

An expatriate who requires a work visa must apply for this before taking up an employment in Singapore.

Employment visas

An expatriate taking up an employment in Singapore must apply for an employment visa before commencing employment. A local sponsor, who is usually the employing company in Singapore, is required to support an application for employment pass.

If the expatriate's spouse and dependent family also relocate to Singapore, they will require dependent visas.

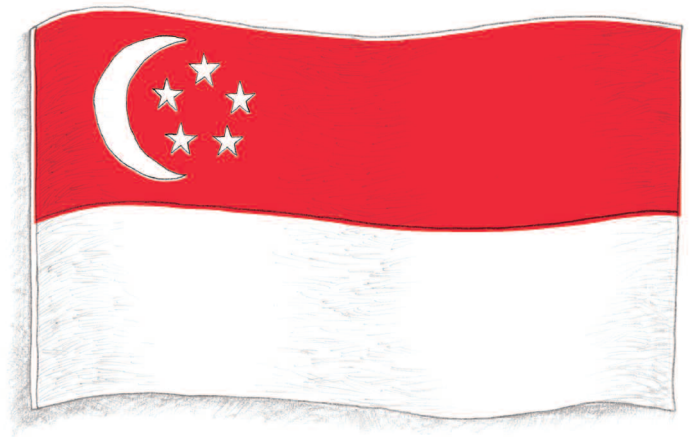
Tax year

The year of assessment runs from 1 January to 31 December. Singapore adopts a preceding year basis of assessment. This means that income for the calendar year 2012 is taxable in the Year of Assessment 2013.

Tax returns and compliance

An employee has to file an income tax return by 15 April each year. The employer is required to file a cessation tax return to the tax authorities no later than one month from the non-citizen employee's expected date of cessation or departure.

There are no payroll withholding tax requirements for remuneration paid to an employee. However, for tax clearance purposes, the employer is required to withhold all monies due to a non-citizen employee from the date of notification of cessation of employment or departure from Singapore.



Income tax rates – tax resident

| Chargeable Income S\$ | Year of Assessment 2013 (year 2012) |
|--------------------------|--|
| 0 – 20,000 | 0.00% |
| 20,001– 30,000 | 2.00% |
| 30,001– 40,000 | 3.50% |
| 40,001– 80,000 | 7.00% |
| 80,001– 120,000 | 11.50% |
| 80,001– 160,000 | |
| 120,001– 160,000 | 15.00% |
| 160,001– 200,000 | 17.00% |
| 160,001– 320,000 | |
| 200,001– 320,000 | 18.00% |
| More Than 320,000 | 20.00% |

* One-off tax rebate capped at S\$1,500 for year of assessment 2013 at:

- 30% for resident individuals below 60 years of age
- 50% for resident individuals above 60 years of age.

Non-resident

Employment income higher of 15% or resident rates. Other income 20%.

Sample income tax calculation – Year of assessment 2013 (calendar year 2012)

| | S\$ | S\$ |
|---|---------|--------------|
| Employment income | | 90,000 |
| Benefits: | | |
| Housing | 50,000 | |
| Other allowances | 10,000 | |
| | | 60,000 |
| Total assessable income | | 150,000 |
| Less reliefs: | | |
| Earned income (age < 55) | (1,000) | |
| Wife | (4,000) | |
| Child | (4,000) | |
| (9,000) | | |
| Chargeable income | | 141,000 |
| Tax on the first S\$120,000 | | 7,950 |
| Tax on the remaining S\$21,000 @ 15% | | 3,150 |
| | | 11,100 |
| Less: Tax rebate (lower of 30% of tax payable and S\$1,500) | | (1,500) |
| Tax payable: | | 9,600 |

Basis of taxation

Charge to tax

Singapore income tax is on a territorial basis and tax is charged on an individual in respect of income accruing in or derived from Singapore, regardless of whether or not the individual is tax resident for Singapore purposes.

Residence

An individual is treated as a resident for Singapore tax purposes if he or she normally resides in Singapore except for temporary absences or if physically present or exercises an employment in Singapore for 183 days or more in a calendar year. In addition, an individual whose employment in Singapore straddles over two consecutive assessment years is treated on a concessionary basis as a resident from the day of his arrival.

Income from employment

An individual is liable to tax on the gains or profits from any employment in Singapore, regardless of where they are paid. The definition of gains or profits from any employment includes wage, salary, leave pay, fee, commission, bonus, gratuity, perquisite and allowance paid or granted in respect of employment whether in money or otherwise.

Source of employment.

Generally, for Singapore tax purposes, the source of employment is where the services are rendered regardless of where the remuneration is paid. Thus, if employment is exercised in Singapore, tax cannot be avoided by arranging the remuneration to be received outside Singapore.

Benefits (in kind)

Generally for Singapore tax purposes, all wages, salaries and payment in cash or in kind in respect of employment exercised in Singapore are taxable in full. The provision of certain benefits-in-kind is taxed on a concessionary basis.

Expatriate concessions

A non-resident individual is exempt from Singapore income tax on employment income if they exercise an employment in Singapore (other than as a director) for not more than 60 days in the calendar year.

Subject to meeting the requisite conditions, a resident individual may enjoy the following tax concessions under the Not Ordinarily Resident (NOR) scheme:

- the assessment of employment income on the time apportionment basis
- tax exemption on the employer's contributions to non-mandatory overseas social security scheme or pension funds for non-Singapore citizen or non-Singapore permanent resident.

In the case of an area representative of a foreign employer, as an administrative concession, employment income relating to time spent outside of Singapore is treated as not sourced in Singapore provided the employment costs are not borne by a company or a permanent establishment in Singapore.

Relief for foreign taxes

Foreign sourced income received in Singapore by individual taxpayers is exempt from tax in Singapore.

Deductions against income

Expenses wholly and exclusively incurred in the production of income are tax deductible. In practice, generally, there are only a limited amount of deductions claimable against employment income.

What taxes?

Capital gains tax

There is no capital gains tax in Singapore. However, where the tax authorities regard the gains from disposal of shares as trading receipts arising from carrying on a trade in Singapore, such gains of an income nature are subject to tax in Singapore.

Inheritance, estate and gift taxes

Estate duty has been abolished for deaths occurring on and after 15 February 2008.

There is no gift tax in Singapore.

Investment income

Generally investment income (with certain exceptions) is aggregated with other types of income and subject to tax based on the tax rates set out above.

Local taxes

There are no local taxes imposed on the income of individuals in Singapore.

Real estate tax

There is a tax on the ownership of real property. The tax is based generally on the annual value of the property and the rate of tax is dependent upon the use, occupation of the property, etc.

Social security taxes

The Central Provident Fund (CPF) is a compulsory savings scheme instituted by the Singapore government for employees who are Singapore citizens/permanent residents.

Employers are exempted from making CPF contributions for foreign employees on Singapore employment/professional visit pass or work permit. However, CPF contributions are required once the foreign employee obtains Singapore permanent residents status.

Stock options

Gains on stock options or awards granted whilst exercising employment in Singapore are taxable on the individual. The gains are subject to tax at the marginal rates applicable to the individual.

Wealth tax

There is no wealth tax in Singapore.

Tax planning opportunities

Most tax planning involves the structuring of employment arrangement to take advantage of various tax concessions such as area representative status and NOR status, particularly if the employee is required to travel substantially in the course of discharging his employment duties.

With proper implementation and control, certain benefits can be provided to an employee in a tax advantageous or even tax-free manner. The cost of providing such benefits may still be tax deductible to the employer even if the benefits are tax-free on the employee.

Grant Thornton's Tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in Singapore please contact:

Albert Ng

E albert.ng@sg.gt.com



Slovak Republic

This fact sheet provides an overview of the Slovak tax system and possible tax planning opportunities. Expatriates taking up employment in Slovakia will be subject to comprehensive rules and in some cases employment visa requirements. IB Grant Thornton's expatriate tax team can help expatriates and their employers in dealing with the Slovak tax and employment visa requirements.

In particular IB Grant Thornton can assist expatriates and their employers in identifying Slovak tax planning opportunities, reviewing tax equalisation policies and provide compliance services regarding the Slovak tax filing requirements.

Facts and figures

Pre arrival procedures

The employees of non-EU nationals are usually required to apply for a Work Permit (WP) prior to taking up employment in Slovakia. It is therefore important that the expatriate's employment contract and benefit package is structured in a tax efficient manner before the contract is submitted to the Department of Work, Social Affairs and Family in Slovakia.

A residence permit is also required in some cases for non-EU nationals. The application for a residence permit is a complex procedure performed through the Slovak Embassy in the home country of the expatriate.

Employment visas

Under the WP procedure the employer will be required to advertise the position in Slovakia before the department will consider issuing a WP to a non EU national if a suitable candidate cannot be found.

Alternatively, the employer will need to justify that the position cannot be filled by a Slovak national, which is often a simple formal procedure.

Where the expatriate's spouse and family relocates to Slovakia, relevant visas and a separate WP (where the spouse will also work) may be required.

Where the expatriate is an EU national the above procedure is usually not required.

Tax year

The Slovak tax year runs from 1 January to 31 December.

Tax returns and compliance

Expatriates assigned to work in Slovakia are obliged to register for income tax purpose within 30 days. In case their local employer is registered for tax on dependent activity, expatriates are not obliged to register individually.

Expatriates are obliged to calculate their tax advances monthly, based on received income (gross salary including benefits in kind) and to pay these tax advances to the relevant tax authority.



After the end of the tax period expatriates must declare their taxable income via a Personal Income Tax Return (PIT) or via Annual Tax Reconciliation (ATR). The PIT and ATR should be filed by 31 March following the end of the tax period and the tax is due within the same time period. There is a possible submission extension of PIT for three months upon your written request to the tax authority. This can be further extended by three months if expatriates receive income sourced abroad and they request an extension.

In relation to the calculation of the final tax base expatriates may reduce their tax base by contributions on mandatory insurance paid to 'Social and Health Insurance Institutions' and also by tax allowances stated in Slovak tax laws.

In general, expatriates can apply for the following tax allowances (amounts are valid for the tax period 2013):

- **Personal allowance:** €3,735.94 per year can be applicable for annual tax base under €19,458.00. For the tax base over €19,458.00 to €34,401.74 is applicable progressive personal allowance and over €34,401.74. EUR is personal allowance equal to EUR 0
- **Tax allowance depending on high of income of wife/husband sharing a household with taxpayer (expatriate):** the annual amount of the tax allowances is determined by special law requirements which must be met. This kind of tax allowance can be claimed by expatriates only in case they receive at least 90% of their worldwide income from Slovak sources
- **Tax bonus for dependent children:** approximately €21.41 monthly (the high of the tax bonus is changed as 1 July of the each calendar year). Special criteria which must be met are a minimum taxable income = €2,026, children must live in the household of the expatriate and the worldwide income of expatriate must be at least 90% from Slovak sources.

Income tax rates

Since 1 January 2013 there are two tax rates for individuals (progressive taxation) in Slovakia. Slovak individuals including expatriates with gross income up to €2,866.81 per month should be taxed by a 19% tax rate and taxpayers over €2,866.81 by a 25% tax rate.

Sample income tax calculation

| | EUR |
|--|---------------|
| Annual gross income after social insurance contribution: | 60,000 |
| Plus: benefits in-kind: | |
| – housing | 12,000 |
| – company car for private use*: | 3,700 |
| – private pension insurance paid by employer | 6,000 |
| Less: | |
| – mandatory social insurance | 7,000 |
| Tax base: | 74,700 |
| Personal allowance** | 0 |
| Tax liability @19% (from the amount of €34,401.74) | 6,536 |
| Tax liability @25% (from the amount of €40,298.26) | 10,075 |
| Total tax liability | 16,611 |

* Calculated as 1% of the purchase price of the car (including value added tax) for each month of private use

** Personal allowance only available for individuals earning less than approx. €1,622/month

Basis of taxation

Charge to tax

A charge to Slovak tax is dependent on whether the income arises in Slovakia (from Slovak sources) and the extent of the charge will be determined by an individual's tax residency status.

Residence

Residence and domicile

Exposure to Slovak tax will be determined by the expatriate's residence, ordinary residence and domicile status.

Tax residence

Tax residence in Slovakia is determined by the expatriate's actual presence within a tax year. The expatriate will be treated as Slovak tax resident if they:

- permanently reside in the territory of Slovakia
- spend 183 days or more in Slovakia in the relevant calendar year, either continuously or periodically; every day or part day of such stay shall count towards its duration
- have a permanent residence permit in the territory of Slovakia.

Domicile

The concept of tax residence is considered in conjunction with the concept of domicile under the relevant double tax treaty. The test for domicile is rather complex, based on Slovak national tax law and the tax treaty in question. Slovakia signed more than 50 double tax treaty based on the OECD Model Tax Convention.

Income from employment

A Slovak tax charge arises on employment income derived from duties performed in Slovakia.

Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits, benefits from employees' stock options etc.

Source of employment

Where duties are performed in Slovakia, any remuneration received in respect of these duties is treated as Slovak sourced income and subject to Slovak income tax regardless of the expatriate's tax residence status (subject to the relevant double tax treaty).

Benefits (in kind)

In general, where the benefit is enjoyed in Slovakia, a Slovak income tax charge will arise. Therefore, housing, provision of a car and relocation allowances will come within the charge to Slovak income tax in addition to the individual's salary.

Expatriate concessions

There are no specific concessions available to expatriates in Slovakia.

Relief for foreign taxes

Where income has been subject to tax twice; in Slovakia and a foreign jurisdiction, relief can be granted by the Slovak tax authority where provided for in the relevant double tax treaty.

Deductions against income

Certain expenses can be provided by an employer free of income tax where they qualify as wholly, exclusively and necessarily incurred in the performance of the employment duties.

Personal tax allowance is available only to certain employees earning less than the minimum determined amount.

Obligatory payments to social and health insurance schemes (either in Slovakia or abroad) are deductible from the expatriate's income.

What taxes?

Capital gains tax

Expatriate's exposure to capital gains tax will be determined by their Slovak tax residence and domicile status. In general, tax will be assessed on net gains realised in Slovakia (eg from disposal of real property or a car), after deducting the cost of acquisition of the asset from sale proceeds.

Inheritance, estate and gift taxes

There are no inheritance, gift, or real estate transfer taxes in Slovakia.

Investment income

The expatriate's Slovak tax residency and domicile status will determine whether investment income such as interest will become liable to Slovak income tax. Dividends (paid or received) are not subject to tax in Slovakia

Local taxes

There are no other local taxes on income or property with the exception of real estate tax (see below).

Real estate tax

There are local taxes charged to individuals who own real estate located in Slovakia. The tax is assessed on the area of real estate and the rates differ significantly depending on the type of real estate and its physical location within municipalities.

Social security taxes

Expatriates of EU member states should have the A1 form to ensure they continue to pay social security contributions in their home countries. In some cases, expatriates of non-EU states who are treated as employees of the Slovak employer must register with the Slovak social insurance system and health insurance system. The expatriate treated as an employee must contribute 9.4% of gross salary to the social insurance system and 4% to the health insurance system.

The employer will also be required to contribute 35.2% of the gross salary to the social and health insurance system.

There are however ceilings for calculation of monthly contributions to the health and social security systems, updated semi-annually. Currently, the maximum healthcare contribution of the employee is approximately €158 and €393 for the employer. For social security insurance, the maximum contribution is €370 for the employee and €960 for the employer.

Stock options

Benefit of granted stock option (ie the difference between the market value of stock and the exercise price of the option) is considered as taxable at the moment realisation of the option.

Wealth tax

There is no wealth tax in Slovakia.

Other specific taxes

No other specific taxes would apply to expatriates in addition to those described above.

Tax planning opportunities

Where a foreign employment continues to exist and part of the expatriate's duties are performed outside Slovakia, any employment income received in respect of the foreign duties will remain outside the charge of Slovak tax, provided the income is not remitted to Slovakia.

Travel expenses according to the Slovak law can be paid tax free.

Most tax planning involves the structuring of employment arrangements to take advantage of the relatively low flat personal tax rate (as compared to other EU member states). IB Grant Thornton's tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in Slovakia please contact:

Jana Kyselova
E jana.kyselova@sk.gt.com



South Africa

This fact sheet provides an overview of the South African tax system for expatriates and their employers in dealing with the South African tax requirements.

Grant Thornton South Africa has specialist expertise to assist expatriates and their employers in dealing with the South African tax requirements.

In particular, Grant Thornton can assist expatriates and their employers in identifying South African tax planning opportunities and provide compliance services relating to the South African tax filing requirements.

Facts and figures

Pre arrival procedures

Employers of inbound expatriates are required to apply for a work permit with the department of Home Affairs prior to the expatriate taking up employment in South Africa (SA).

Employment visas

The spouse and children of an expatriate employee must apply for visas. They will be issued with temporary residence permits on arrival and will be able to apply for work or study permits either before departure or upon arrival in SA.

Tax year

1 March to last day of February.

Tax returns and compliance

Registration

An expatriate must register as a taxpayer within 21 days after he/she becomes liable for income tax in SA.

Annual tax returns

The deadline for submitting individual income tax returns is determined on an annual basis. This deadline is usually six to eleven months after year-end. The commissioner of the South African Revenue Service (SARS) annually gives public notice of the persons who are required to furnish returns. An expatriate subject to SA tax would ordinarily be obliged to furnish a tax return.

Provisional tax returns

An expatriate whose SA sourced employment income is not subject to the withholding of employee's tax (PAYE) must register as a provisional taxpayer. The SA tax liability arising should be calculated/estimated bi-annually in respect of the preceding six months and paid to the SARS by the end of August and February respectively.

Income tax rates

Income Tax Rates: 2013/2014

| Taxable Income (R) | Rate of Income tax |
|--------------------|---|
| 1 – 165,600 | 18% of each R1 |
| 165,601 – 258,750 | 29,808 + 25% of the amount above 165,600 |
| 258,751 – 358,110 | 53,096 + 30% of the amount above 258,750 |
| 358,111 – 500,940 | 82,904 + 35% of the amount above 358,110 |
| 500,941 – 638,600 | 132,894 + 38% of the amount above 500,940 |
| 638,601 and above | 185,205 + 40% of the amount above 638,600 |



Sample income tax calculation

A person earning R640,000 per year will pay the following amount of tax:

- $(R640,000 - R638,600) \times 40\% = R560 + R185,205 = R185,765$

A natural person qualifies for a primary rebate of R12,080 per year (persons over 65 and 75 qualify for additional rebates of R6,750 and R9,000 respectively)

Therefore the amount of tax which will be payable by the individual (assume age under 65) will be $(R185,765 - R12,080) R173,685$.

Basis of taxation

Charge to tax

In terms of the SA income tax system, the income of non-residents which is derived from a source within SA is subject to income tax in SA. In contrast, SA residents are taxed on their worldwide income. Therefore, residency is an important factor in determining tax consequences for an expatriate.

Residence

Two separate tests exist in determining whether or not a person is a resident of SA, ie the 'ordinarily resident' test and 'physical presence' test. A person would be considered tax resident in SA if they are either ordinarily resident or physically present for certain period(s).

Ordinarily resident test

An individual will be regarded as being ordinarily resident in SA if the person's ordinary home, to which he/she will normally return, is in South Africa.

Physical presence test

This test is time-based and is only applicable to an individual who is not considered ordinarily resident during the relevant year of assessment.

The 'physical presence' test must be performed annually, an individual will be considered resident for the relevant year of assessment if they are physically present in South Africa for a period or periods exceeding:

- 91 days in aggregate during the relevant year of assessment
- 91 days in aggregate during each of the five years of assessment preceding the relevant year of assessment
- 915 days in aggregate during the above five preceding years of assessment.

The person will cease to be tax resident on the day of departure if he/she is outside the Republic for 330 consecutive days thereafter.

Any person who is deemed to be exclusively a resident of another country for the purposes of a Double Taxation Agreement (DTA) is excluded from the definition of resident.

Income from employment

Employment income paid by a resident employer or a foreign employer who has a branch or permanent establishment in SA is subject to the withholding of PAYE.

Source of employment

Where duties are performed in SA, any employment income received in respect of these duties is treated as SA sourced income and subject to SA income tax, regardless of the expatriate's tax residence status (subject to any qualifying DTA).

Benefits (in kind)

Where an expatriate, by virtue of employment, receives any monetary amount, a right or asset or has the use of an employer's asset, the benefit is taxed as a fringe benefit.

Examples of such benefits that are subject to tax include:

- the acquisition of assets at less than market value
- free or cheap services provided by the employer
- private use of assets owned or paid for by the employer
- free or cheap residential accommodation
- use of an employer owned motor vehicle
- low interest or interest free loan provided by the employer
- the settlement of an employee's debt by an employer.

Relief for foreign taxes

Bilateral and unilateral relief is available to SA residents in respect of foreign taxes paid.

Deductions against income

Over the past few years the SARS has reduced the types of expenses allowed as deductions against employment income. The following general deductions are available, all of which carry certain restrictions:

- contributions to a SA approved pension fund
- medical expenses
- travel expenses
- donations to approved public benefit organisations.

Medical tax credits

Taxpayers below 65 years of age are entitled to a monthly tax credit in respect of any medical scheme contributions made for the benefit of themselves and their dependants as follows:

- R242 for the taxpayer
- R242 for the first dependant
- R162 per additional dependant.

What taxes?

Capital gains tax

Non-residents will be taxed on capital gains made from the disposal of the following assets:

- immovable property situated in SA or any interest or right in immovable property situated in SA. The term 'interest in immovable property situated in SA' includes a direct or indirect holding of 20% or more of the equity shares in a company and 80% or more of the current market value of the shares of that company are directly or indirectly attributable to immovable property situated in SA
- assets attributable to a permanent establishment in SA.

The first R30,000 of the aggregate capital gain realised by an individual for a year of assessment is excluded from capital gains tax and 33.33% of the balance is included in taxable income.

Inheritance, estate and gift taxes

Donations and estate duty are imposed at a rate of 20% on world-wide assets of a resident and on South African assets of a non-resident.

Investment income

The expatriate's SA tax residency status and source of investment income will determine whether investment income such as interest is subject to SA income tax (subject to qualifying DTA).

Dividends tax were introduced with effect from 1 April 2012. As such all dividends declared by a SA company is subject to dividend withholding tax of 15% (subject to any qualifying DTA).

Local taxes

There are no local taxes applied to an individual in SA, other than those related to the ownership of immovable property (municipal council charges for rates, water, and refuse removal).

Real estate tax

Transfer duty is payable by a purchaser (both resident and non-resident) on the purchase of immovable property.

The duty payable is calculated in the value of the immovable property at the following rates:

| Property value (R) | Rate of tax |
|-----------------------|---|
| 0 – 600,000 | 0% |
| 600,001 – 1,000,000 | 3% on the value above R600 000 |
| 1,000,001 – 1,500,000 | R12,000 plus 6% on the value above R1,000,000 |
| 1,500,000 and above | R37,000 plus 8% on the value above R1,500,000 |

A withholding tax is generally payable when non-residents dispose of direct or indirect interests in immovable property in SA. Different withholding rates apply and exemption is available in certain circumstances.

Social security taxes

There are currently no social security taxes in SA, however, contributions to the Unemployment Insurance Fund (UIF) are payable as follows:

- the amount of contribution payable by an employee, must be 1% of the employment income paid to them by their employer
- the amount of the contribution payable by an employer in respect of any one of its employees, must be equal to 1% of the employment income paid to that employee
- a contribution applies to so much of the employment income paid or payable by an employer to an employee as it does not exceed R14,872 per month (R178,464 annually)
- an expatriate's employment income, however, is normally exempt from UIF, subject to certain conditions being met.

Stock options

Any gain made by the vesting of any equity investment will be included in taxable income to the extent that the equity instrument was acquired by virtue of employment in SA. The tax liability will arise on the day that the equity instrument vests and is calculated as the difference between the amount(s) paid for the equity instrument and the market value at the date of vesting.

Wealth tax

There is no wealth tax in SA. However, non-residents will be subject to tax on capital gains realised on the disposal of immovable property situated in SA. SA residents are subject to tax on capital gains realised on the disposal of world-wide assets.

Other specific taxes

Skills development levy

In order to address the skills shortage in SA, a skills development levy is imposed on employers if the value of the employer's annual employment cost exceeds R500,000. The levy is charged at a rate of 1% of the total amount paid in salaries to employees. The levy is utilised to support and encourage training initiatives.

Tax planning opportunities

Where foreign employment continues to exist and part of the expatriate's duties are performed outside of SA, any employment income received in respect of the foreign duties will remain outside the charge of SA tax, provided the employee is not tax resident in SA.

Any benefits provided by an employer in connection with employment are usually taxed in the same way as fringe benefits, although the taxable values vary according to the benefit provided. Certain benefits constitute tax-free benefits for inbound expatriate employees:

- residential accommodation provided by an employer – where the expatriate is in SA for the purposes of performing his/her duties of employment:
 - for a two year period and to the extent that the value of the benefit does not exceed R25,000 per month multiplied by the number of months that such accommodation is provided, (this exemption will not apply if the expatriate was in SA for more than 90 days in the year preceding his/her date of arrival)
 - if the expatriate is in SA for less than 90 days in the year of assessment in which the accommodation is provided.
- relocation/transfer costs – where the employer has borne certain expenses in consequence of relocating the expatriate and members of his/her household such benefit could be tax-free.

For further information on expatriate tax services in South Africa please contact:

Doné Howell

E done.howell@za.gt.com

Magdel Hugo

E magdel.hugo@za.gt.com

Sweden

Expatriates taking up employment in Sweden will be subject to comprehensive rules and in some cases, employment visa requirements. Grant Thornton Sweden's expatriate tax team can help expatriates and their employers to deal with Swedish tax and employment visa requirements.

In particular Grant Thornton Sweden, can help expatriates and their employers to identify Swedish tax planning opportunities and review tax equalisation policies; as well as providing compliance services regarding Swedish tax filing requirements.

Facts and figures

Pre arrival procedures

An individual from a non EU/EEA country has to apply and be granted residency and a work permit at the Swedish Embassy or consulate general in his/her home country before arriving in Sweden.

Registration for tax and residence purposes

An individual should register with the local tax office, for population purposes, if the assignment is expected to last for more than one year. If the expected stay is less than one year but continuous for more than six months an individual should register with the local tax office for tax purposes, i.e. if the individual will be tax resident in Sweden.

Employment visas

Nordic citizens are not required to apply for a work permit or a residence permit. An EU/EEA citizen arriving in Sweden with the intention to stay for more than three months has to apply for a residence card at the Swedish Migration Board. A work permit is, however, not required for EU/EEA citizens.

Tax year

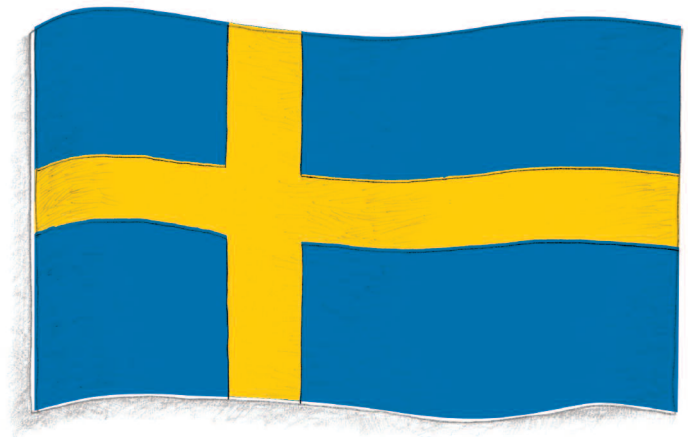
The tax year is the calendar year, 1 January to 31 December.

Tax returns and compliance

The taxpayer is liable to submit a tax return by 2 May the year after the income year. Final tax assessment statements will be sent out between 15 August and 15 December.

Employees, employed by foreign employers without a permanent establishment in Sweden, must file a preliminary tax return at the beginning of employment for the purpose of preliminary tax payments.

Swedish tax on employment income can be paid in one of the following ways – Pay As You Earn (PAYE) withholding preliminary tax on income operated by the Swedish employer; or self operated PAYE in case of a foreign employer without a permanent establishment in Sweden; the individual pays an estimated monthly amount of taxes by direct collecting either following an assessment based on a preliminary tax return as mentioned above or an exact amount following the Swedish Tax Agency's tax bill from the previous year (subject to interest charges).



Income tax rates – 2012

Income tax in Sweden consists of municipal and state tax. Municipal tax varies by municipality from approximately 28% to 35%. On taxable income exceeding SEK 413,200 state tax is added.

| Taxable income (SEK) | Municipal tax (%) | State tax (%) |
|----------------------|-------------------|---------------|
| 1-413,199 | 28-35% | – |
| 413,199-591,600 | 28-35% | 20% |
| 591,601 | 28-35% | 25% |

Sample income tax calculation

| Employment income | SEK |
|---|----------------|
| Salary | 600,000 |
| Car benefit | 58,900 |
| Total earned income | 658,900 |
| Basic deduction | -13,100 |
| Taxable income: | 645,800 |
| Capital income | |
| Dividend | 2 500 |
| Bank interest | 1,000 |
| Interest on loan | -15,000 |
| Total capital income | -11,500 |
| Income tax thereon: | |
| Municipal income tax 645,800 * 31% | 200,198 |
| State tax: (591,600-413,200) * 20% | 35,680 |
| State tax: (645,800-591,601) * 25% | 13,550 |
| Capital tax reduction: (-11,500 * 30%) | -3,450 |
| General pension contribution | 32,000 |
| Tax reduction on general pension contribution | -32,000 |
| Tax reduction on employment income | -21,480 |
| Total tax | 224,498 |

Basis of taxation

Charge to tax

Taxation of expatriates moving to Sweden is based on the length of their stay.

A Swedish tax resident is liable to pay tax in Sweden based on worldwide income at ordinary income tax rates. A non resident individual is subject to tax in Sweden on source income only. A Special Income Tax for non resident individuals (SINK) is applicable on employment and pension income. An application for SINK must be submitted to and approved by the tax agency in order for it to apply.

A double tax treaty may limit the right for Sweden to impose tax on certain types of income.

Residence

An individual will be considered a Swedish resident for tax purposes if:

- the individual is domiciled in Sweden, i.e. has his/her actual and permanent home in Sweden or
- the individual stays in Sweden continuously for more than six months (short stays abroad for holidays, etc. are disregarded). The tax liability will apply from the first day of the six month period.

There are no explicit rules in Swedish tax law governing what would constitute a continuous stay in Sweden. However, the Swedish Tax Agency's opinion is that an individual who regularly stays overnight in Sweden in a consecutive period exceeding six months should be considered resident in Sweden. It should be noted that an individual could be deemed to stay in Sweden regularly even if the individual spends more nights abroad than in Sweden.

An individual will be considered as non-resident for tax purposes if the total stay does not exceed six months, alternatively where the stay in total exceeds six months but is not considered to be 'continuous and recurring'.

Income from employment

Generally, all earnings deriving from an activity, occasional or regular, are taxed as income from employment provided the income is not considered business income or income from capital. All earnings from an employer to an employee are reportable and taxable as income from employment, i.e. wages, fees, sickness allowances, severance pay as well as benefits in kind i.e. free meals, a company car, interest free loans, travel benefits and expense allowances, e.g. subsistence allowances and travel compensation.

Source of employment

In general, it is the place in which the services are performed.

Benefits (in kind)

In principle, all fringe benefits, i.e., any remuneration in kind received by an employee from the employer for services rendered, are taxable at their fair market value. For most common forms of fringe benefits there are standardized valuations.

Expatriate concessions

Under certain conditions, foreign key employees working in Sweden for limited periods may qualify for a reduction of the income tax liability on their earnings. The reduction amounts to 25% and is applicable only if the employer/employee has applied for a ruling within three months after the work started in Sweden; if not the normal Swedish progressive taxation of personal income applies. The 75% tax scheme can only apply for three years and only if the stay there does not exceed five years. An individual who has been resident in Sweden during any of the five years prior to the start of the assignment in Sweden cannot qualify for tax relief status. The individual may not be a Swedish citizen.

The tax relief exempts the following remuneration from Swedish tax and social security contributions:

- 25% of salaries and benefits
- moving expenses (to and from Sweden)
- home travel expenses, two return tickets per year to the home country for the individual and family members
- children's school fees.

As of 1 January 2012 it is possible to be granted expert tax relief based on the monthly salary including benefits which the foreign employee receives. If the hired foreign expert receives a salary exceeding two basic amounts per month (approx. SEK 89,000 for the income year 2013) the employee will be granted the tax relief.

Relief for foreign taxes

Sweden has signed agreements with a large number of countries to avoid or relieve double taxation of income. An individual may be considered as tax resident in Sweden and in another country at the same time. For Swedish tax purposes, residency in another country does not affect Swedish residency. However, if Sweden has a tax treaty with the other country that claims residency, tax reliefs are available.

In addition, Swedish internal tax laws allow reliefs to avoid double taxation on income provided certain conditions are met.

Deductions against income

All taxpayers with unlimited tax liability are entitled to a basic deduction. This adjustment is made automatically by the tax authorities when assessing the final taxes. The tax free basic deduction amounts to SEK 13,100-34,300 (SEK 18,900 for the lowest taxable income) depending on the total taxable income. If the total taxable income exceeds SEK 350,100, the tax free basic deduction is always SEK 13,100.

Expenses, that are wholly, exclusively and necessarily incurred in the performance of duty may be deducted from employment income if paid for or reimbursed by the employer. Expenses of this kind include, for example:

- additional living expenses during business travel or temporary assignment
- travel expenses to and from work
- the costs of using a personal car for business purposes
- other costs which are necessary to perform the taxpayers duty.

Some of these costs have to exceed a certain amount in order to be deductible. Others are only deductible up to a certain maximum limit or under special circumstances.

Employee social security contributions are, with certain limitations, also deductible. Contributions to a foreign or Swedish pension plan/insurance are generally deductible within certain limits if the contribution is subject to favorable tax treatment in the country of origin.

What taxes?

Capital gains tax

Interest income, dividends and capital gains are taxed at a flat rate of 30%. Generally 70% of capital losses are deductible. A tax reduction is granted on losses exceeding income on capital, resulting in a net loss. The reduction is 30% of the net loss up to SEK 100,000 and 21% on amounts exceeding SEK 100,000.

Inheritance, estate & gift taxes

There is no gift or inheritance tax in Sweden.

Investment income

See 'Capital gains tax' above.

Local taxes

Not applicable

Real estate tax

A municipal charge is levied on family houses instead of real estate tax. The charge varies depending on the type of house and construction year and the highest charge amounts to SEK 7,074 (income year 2013) per building. Family houses abroad are not subject to the municipal charge.

Real estate tax is still levied on other property, e.g. undeveloped land.

Social security taxes

The statutory social security charges amount to 31.42% (for income year 2013) of the total remuneration paid to employees including all taxable benefits in kind. Employees do not contribute to these charges. Further, an employer bound by a collective agreement, pays, on average, an additional 15% of salaries to cover the cost of contractual pension plans.

Employees are charged a pension insurance fee of 7% of employment income. The maximum charge is SEK 32,000 (for income year 2013). The charge is fully credited against other income taxes.

An employer without a permanent establishment in Sweden can agree with the employee, that the employee will pay all social security costs, i.e. the employer part as well as the employee part. As from January 2013 the employee has to file an application and register with the tax authority to pay monthly contributions under such agreement.

Stock options

Stock options classified as employee stock options according to Swedish legislation are taxed as employment income upon exercise. The taxable benefit is equal to the difference between the fair market value of the stock on the date of exercise, and the option (exercise) price.

The previous special rules for cross border personnel (e.g. exit tax) have been abolished as from 1 January 2009.

As the tax treatment of equity oriented plans is complex in Sweden, and the classification of each plan is very important, we strongly recommend that this issue is discussed with a Grant Thornton Sweden tax specialist.

Wealth tax

There is no wealth tax in Sweden.

Other specific taxes

An individual who is not a member of the Swedish Church, or some other specific Church, still has to pay a burial fee. The fee depends on the municipality and the average burial fee is 0.22%.

Tax planning opportunities

| Earnings description | Planning possible |
|--------------------------|-------------------|
| Base salary | Y |
| Bonus | Y |
| Child care | N |
| Club membership | N |
| Company car | Y |
| Cost of living allowance | Y |
| Education/Schooling | Y |
| Home leave | Y |
| Housing | Y |
| Medical expenses | Y |
| Moving expenses | Y |
| Pension scheme | Y |

For further information on expatriate tax services in Sweden, please contact:

Aino Askegård Andréén
E aino.a.andresen@se.gt.com

Switzerland

This fact sheet provides an overview of the Swiss tax system and planning opportunities in connection with expatriates taking up employment in Switzerland. They will be subject to Switzerland's comprehensive rules and employment visa requirements. Grant Thornton Consulting AG's expatriate tax team can help expatriates and their employers in dealing with the Swiss tax and employment visa requirements.

In particular Grant Thornton Consulting AG can assist expatriates and their employers in identifying Swiss tax planning opportunities and provide compliance services regarding the Swiss tax filing requirements.

Facts and figures

Pre arrival procedures

The employer is required to apply for a residency and work permit prior to the employee taking up employment in Switzerland. It is therefore important that the expatriate's employment contract and benefit package is structured in a tax efficient manner before filing the application.

Employment visas

Employment of non EU/EFTA citizens

Switzerland imposes strict regulations on foreign workers. Each year, the federal authorities review the numbers of work permits that may be issued. In particular, the applicant employer must demonstrate that in spite of all his efforts he was unable to find a suitable person on the Swiss or EU/EFTA labour market.

However these conditions are waived for the executives or qualified specialists of internationally operating firms within the scope of an intercompany transfer and for executives or highly qualified specialists who are indispensable for important research projects, or essential for the fulfillment of extraordinary assignments.

Employment of EU/EFTA citizens

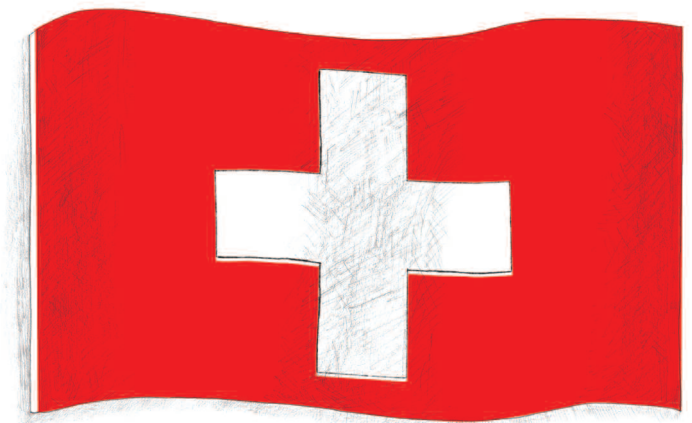
One of the numerous agreements signed between Switzerland and the EU is the agreement on free movement of persons (including recognition of professional diplomas), entered into force on 1 June 2002. Similar rules are applicable with Iceland, Norway, Liechtenstein (EFTA countries).

Tax year and return deadline

The Swiss tax year runs from 1 January to 31 December.

Swiss taxpayers as well as foreign holders of a permanent residency permit (C permit granted after five or ten years of residence depending upon the nationality) are required to file an annual tax return. For foreign holders of a B permit (one year for non EU/EFTA citizens, five years for EU/EFTA citizens) or a L permit (duration of less than one year), the tax on salary is collected at source and paid by the employer.

The personal tax return should normally be filed as of 31 March following the end of the tax year concerned.



Income tax rates

Swiss tax residents are subject to federal, cantonal and communal taxes. The taxable income is subject to a progressive scale and the tax rate is determined on the basis of the worldwide income and net wealth.

For a single person with no children, the global rate calculated on a gross income of CHF 150,000 could vary between 13% and 25%, depending on the place of residence.

For a married person with no children, the global rate calculated on a gross income of CHF 150,000 could vary between 11% and 20%, depending on the place of residence.

Sample income tax calculation

| Single person without children, no denomination resident in the city of Zurich (in CHF/2013 tax rate and tax multiplier) | |
|--|---------|
| Employment income | 176,000 |
| Benefits provided housing | 24,000 |
| Gross income | 200,000 |
| Less social security contributions (assumed employee contrib.) | 12,620 |
| Less pension scheme (assumed employee contrib.) | 14,000 |
| Less employment related expenses (estimate) | 8,000 |
| Less insurance premiums paid (ZH lump sum deduction) | 4,700 |
| Less interest expenses paid (estimate) | 7,000 |
| Less charitable contribution (estimate) | 1,000 |
| Taxable income | 152,680 |
| Federal incl. ZH cantonal/municipal income tax | 33,400 |

Basis of taxation

Residence and domicile

Individuals are basically subject to tax (worldwide income and wealth except foreign business and immovable property) when they are resident in Switzerland for tax purposes. They are a tax resident based on Swiss domestic law:

- either because they are 'domiciled' in this country (intention of remaining on a long term basis)
- because they are 'resident', ie they remain in Switzerland, without any significant interruption for at least 30 days with a gainful activity (at least 90 days without a gainful activity).

Income from employment

Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc.

There is also a requirement for the expatriate's employer to deduct and retain the tax at source from the assessable employment income.

The taxation at source applies to most expatriates moving to Switzerland. The basic principle is that expatriates are subject to wage source tax if they do not have a C permit. However, they must, in addition, file an ordinary tax return if their annual gross salary exceeds a certain amount (usually CHF 120,000) or if they have other sources of taxable income.

Source of employment

As mentioned above, where duties are performed in Switzerland, any remuneration received in respect of these duties is subject to Swiss income tax regardless of the expatriate's tax residence status (subject to the relevant Double Taxation Agreement (DTA)).

Benefits in kind

In general where the benefit is enjoyed in Switzerland, a Swiss income tax charge will arise. Therefore, housing, meal allowances, provision of a car and relocation allowances will be considered for income tax purposes in addition to the individual's salary.

Relief for foreign taxes

Where no DTA applies, double taxation on foreign source income is in principle alleviated by means of the deduction method (foreign tax deducted from the taxable income).

Where a DTA exists, double taxation is in principle eliminated in accordance with the exemption method.

However, the credit method is used as regards dividends, interest and, sometimes, royalties derived by Swiss residents from another contracting country: the foreign tax at source is credited against Swiss taxes, being understood that the credit may not be higher than the amount of Swiss taxes on such income. A so-called lump tax credit mechanism has been enacted for this purpose.

Deductions against income

Certain expenses can be provided by an employer free of income tax where they qualify as wholly, exclusively and necessarily incurred in the performance of the employment duties.

Personal tax deductions apply to Swiss tax residents which are based on their personal tax circumstances.

Individuals qualifying as expatriates for Swiss tax purposes are entitled to special deductible expenses (moving expenses, reasonable housing costs in Switzerland if a permanent residence is kept in the country of origin, schooling expenses in the mother tongue). These deductions are only admitted provided they are not reimbursed by the employer.

What taxes?

Capital gains tax

Capital gains on movable private (not business) property are exempted from income tax. Capital gains on immovable property are generally subject to a separate real estate capital gains tax.

Inheritance, estate and gift taxes

These taxes are levied (only at cantonal and communal levels) if the deceased/donor is Swiss resident (also on immovable properties situated in Switzerland). The rates are progressive and depend on the degree of relationship between the deceased/donor and the heir/donee. However, no tax is levied between spouses and, in many cantons, between parents and descendants. Moreover, the respective DTAs must be considered in an international inheritance context.

Investment income

Investment income such as interest, dividends etc. is subject to Swiss income tax.

Real estate tax

Depending on the municipality of residence, real estate taxes are levied on a cantonal and/or municipal level.

Social security taxes

The Swiss social security system is based on the so-called 'three pillars'.

- the 1st pillar: old age and survivor's insurance (AVS/AHV) and invalidity insurance (AI/IV), with the objective to meet the retirees, survivors and invalids basic needs. Individuals with gainful employment in Switzerland are required to contribute to them. Total contribution is currently 10.3% of the total employee remuneration. Half of it is paid by the employer and the other half by the employee (5.15%)
- the 2nd pillar: company pension plan, with the objective to maintain the standard of living after retirement. Individuals with gainful employment in Switzerland are required to contribute. Total contribution varies according to the age of the person and the scheme chosen by the company. The cost for a minimal pension plan amounts to about 20% of the total employee remuneration. At least half of it is paid by the employer and the remaining part by the employee
- the 3rd pillar: private pension funds, with the objective to build up a private capital, encouraged by tax exemptions, but left to everyone's individual responsibility.

Individuals with gainful employment in Switzerland are also required to contribute to the unemployment insurance. Total contribution is 2.2% of the employee remuneration, capped at CHF 126,000 per year. Half of it is paid by the employer and the other half by the employee (1.1%). For the part of salary exceeding CHF 126,000 to CHF 315,000 the applicable rate is 1%. The part of salary exceeding CHF 315,000 is not subject to unemployment insurance contributions.

However, if certain conditions are met, expatriates generally remain affiliated to the social security system of their own country (for EU/EFTA citizens, forms 101 and 102 or Form A1).

Stock options

Employee share plans (as of 1 January 2013).

Shares

Monetary benefits deriving from employee shares are generally taxable as employment income at the time the shares are granted/vested.

For restricted shares, the market value is reduced according to the number of years the shares are blocked. The discount amounts to 6% per blocked year on the market value of the share and is applicable to a maximum of ten years.

Options

Monetary benefits deriving from employee options which are traded at the stock exchange are taxed at the time of granting/vesting.

Options which are not traded at the stock exchange or restricted are taxable at the time they are exercised. The taxable benefit corresponds to the difference of the market value of the share at exercise and the exercise price.

Wealth tax

Wealth tax on the cantonal and communal level is assessed on net assets. The rates, subject to a progressive scale, are typically in the range of 0.1%-0.5%.

Other specific taxes

Church tax is levied on a cantonal/municipal level as a percentage/multiplier of the taxable income and net wealth.

Tax planning opportunities

Where a foreign employment continues to exist and parts of the expatriate's duties are performed outside of Switzerland, any employment income received in respect of the foreign duties will be treated in accordance with the DTA.

Most tax planning involves the structuring of employment arrangements. Grant Thornton Consulting AG's tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in Switzerland please contact:

Bernhard Lauri
E bernhard.lauri@ch.gt.com

Andrea Eicher-Schluchter
E andrea.eicher@ch.gt.com

Taiwan

Expatriates taking up employment in Taiwan will be subject to comprehensive tax rules and employment visa requirements. The expatriate tax team at Grant Thornton Taiwan can help expatriates and their employers to deal with Taiwanese tax and employment visa matters.

In particular Grant Thornton Taiwan, can help expatriates and their employers to identify Taiwanese tax planning opportunities, review tax equalisation policies and provide compliance services regarding Taiwanese tax filing requirements.

Facts and figures

Pre arrival procedures

Expatriates who require a work visa must apply for this before taking up employment in Taiwan. It is, therefore, important that the expatriate's employment contract and benefit package is structured in a tax-efficient manner before the contract is submitted to the immigration department.

Employment visas

Expatriates taking up employment in Taiwan must apply for an employment visa before commencing employment. The immigration department places emphasis on the education level and skills of the expatriate and the economic benefit to Taiwan that the expatriate's employment will bring.

If the expatriate's spouse and dependent family relocate to Taiwan they will require dependent visas. Spouses entering Taiwan on dependent visas are not normally allowed to take up employment in Taiwan. They must apply for a separate employment visa if they wish to work in Taiwan.

Tax year

The Taiwanese tax year runs from 1 January to 31 December.

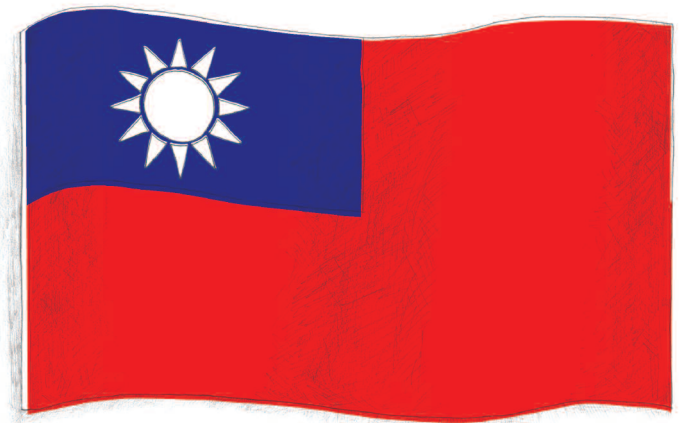
Tax returns and compliance

Expatriates have to file an individual tax return each year, normally by 31 May.

Income tax rates

Tax is charged on net assessable income, less a special deduction from salaries and wages, allowable deductions, standard deductions or itemised deductions and personal exemptions at the following rates:

| 2013 (NT\$) | Rate (%) | Progressive difference |
|-----------------------|----------|------------------------|
| 0 – 500,000 | 5 | 0 |
| 500,001 – 1,130,000 | 12 | 35,000 |
| 1,130,001 – 2,260,000 | 20 | 125,400 |
| 2,260,001 – 4,230,000 | 30 | 351,400 |
| Remainder | 40 | 774,400 |



Personal allowances – 2013

Taxpayers in Taiwan are entitled to the following allowances:

| | (NT\$) |
|---|--------------------|
| Standard deduction – single | 76,000 |
| Standard deduction – married, filed jointly | 152,000 |
| Special deduction for salary or wages* | 104,000 |
| Personal exemption – taxpayer, spouse, dependents | 82,000 per person |
| Personal exemption – dependents (over 70 years old) | 123,000 per person |

*Other special deductions may apply subject to certain restrictions

Sample income tax calculation

| | (NT\$) |
|---|----------------|
| Total annual salary | 3,600,000 |
| Less: exemptions and deductions | |
| Exemptions (Taxpayer and four dependents) | 410,000 |
| Standard deductions (married) | 152,000 |
| Wage deduction | 104,000 |
| Total exemptions and deductions | 666,000 |
| Net taxable income | 2,934,000 |
| Tax rate | 30% |
| Less: progressive difference | 35,000 |
| Tax payable | 528,800 |

Itemised deductions in lieu of standard deductions include:

- donation made to qualified institutions not exceeding 20% of gross income; no deduction limit applied if donation made to military or government agencies
- insurance premium paid for taxpayer, the spouse or dependents not exceeding NT\$ 24,000 per headcount; national health insurance premiums are fully deductible
- medical and maternity charges paid to qualified hospitals only, net of insurance proceeds
- losses incurred in Taiwan from disasters or force majeure, net of any insurance proceeds
- home mortgage interest paid for an owner-occupied dwelling up to deduction limit of NT\$ 300,000 per household
- rents paid for housing in Taiwan not exceeding NT\$ 120,000 per household.

Basis of taxation

Charge to tax

Income tax is levied on income of a resident individual derived from sources within Taiwan. For income tax purposes, the jurisdiction of Taiwan extends to the Island of Taiwan and its subordinate group of islands. Effective from 2010, resident individuals need to pay alternative minimum income tax on non-Taiwan source income earned.

Residence

The concept of residence is generally not relevant, as Taiwan imposes personal income tax on a territorial basis. A resident individual in Taiwan is someone who is:

- domiciled or ordinarily residing in Taiwan
- not domiciled but resides in Taiwan for 183 days or more in the taxable year.

Income from employment

Taiwanese salaries tax is charged in respect of an expatriate income arising in or derived from any office or employment, and from pensions in Taiwan.

Source of employment

Source of employment depends on a number of factors. For expatriates working in Taiwan, these factors include:

- the number of days spent in Taiwan
- whether the Taiwan company bears the salary expense
- whether there is a tax treaty in place.

Where an expatriate has a Taiwan source of employment they are subject to salaries tax on all income from that employment. If an employee has been assigned to work outside of Taiwan on a permanent basis, his income would be deemed non-Taiwan source and it would not be subject to Taiwanese personal income tax. However effective from 2010, resident individuals need to pay alternative minimum income tax on non-Taiwan source income earned.

Benefits (in kind)

Benefits in kind may or may not be taxable depending on the nature of the benefits. There are numerous tax interpretation notes covering this subject. For further details, please contact Grant Thornton Taiwan.

Expatriate concessions

There are specific concessions for expatriates if certain conditions are met. Expatriate may receive the following benefits free of tax, if certain conditions are met:

- airfare for the expatriate and dependents for coming to Taiwan and returning to home country
- airfare for going back to home country for holiday after having work for a specified period
- moving expenses incurred
- water, electricity and gas expenses
- cleaning expenses
- telephone expenses
- rent
- household renovation and maintenance
- scholarship granted for children's education.

Relief for foreign taxes

Taiwanese personal income tax is levied on a territorial basis. Where an employee performs services outside of Taiwan on a permanent basis, employment revenue is generally not taxed in Taiwan. Through this principle, Taiwan has, to a large extent, avoided the problem of double taxation of an individual's income. Resident individuals need to pay alternative minimum income tax on foreign source income earned effective from 2010. Income tax paid in foreign country can be used to offset alternative minimum income tax computed resulting from inclusion of the foreign source income.

Deductions against income

In order for an expense to qualify as a deduction for income tax purposes it must be wholly, exclusively and necessarily incurred in the production of assessable income. In practice, the rigid nature of these tests mean that few deductions are available. There are instances where the tax office will accept deemed deductions against income, up to prescribed ratios.

What Taxes?

Capital gains tax

Effective from 1 January 2013, capital gains tax is assessed for profits arising from sales of share transactions.

For individuals, capital gains from trading in securities will be taxable if defined criteria are met. Dependent upon types of securities traded, the tax resident individuals may be entitled to pay its capital gains tax via withholding regime or report capital gains under an income tax return at a preferential tax rate during the period from 1 January 2013 to 31 December 2014. Effective from 1 January 2015, withholding regime will be no longer available for tax resident individuals. Non-tax resident individuals can only report its capital gains through income tax return from 1 January 2013.

Inheritance, estate & gift taxes

Estate duty is levied on the assessed value of property located in Taiwan or any other country and owned by a Taiwanese resident that is passed, or is deemed to pass on the death of a Taiwanese resident. If a Taiwanese resident is not a Taiwan national, only a portion of the property within Taiwan will be assessed.

Gift tax is also levied on the transfer of property free of charge to another.

Estate and gift tax rates are at a flat 10% rate, applied to a taxable estate or gift after eligible deductions, exemptions and non-taxable items are deducted.

Investment income

Taiwan sourced interest income and dividends, and other investment income are taxable in Taiwan.

Local taxes

There are no local taxes imposed on the income of individuals in Taiwan.

Real estate tax

There is no real estate tax in Taiwan.

Social security taxes

There are no social security taxes in Taiwan. However there is a statutory national health insurance and labour insurance programme. In general, all employees must join the programme and pay the applicable premium.

Stock options

Expatriates working in Taiwan during the stock option lock-in period would be liable for Taiwanese tax on stock option profits earned pro rata to the number of days spent in Taiwan.

Wealth tax

There are no wealth taxes in Taiwan.

Specifically selected goods and services tax (also known as luxury tax)

Taiwan introduced the specifically selected goods and services tax (also known as luxury tax) from May 2011. Items covered by the luxury tax include:

- land and buildings held for less than two years
- taxable value of cars/yachts/aircrafts in excess of NT\$ 3million
- taxable values of turtle shells, hawksbill, coral, ivory, furs, and their products in excess of NT\$ 500,000
- taxable values of furniture in excess of NT\$ 500,000.

Tax rate is fixed at 10%. However for land and buildings held for less than one year, the tax rate is 15%.

Other specific taxes

Alternative minimum tax.

Tax planning opportunities

Most tax planning involves delaying certain actions that may trigger income tax, structuring employment contracts and benefit plans where possible and/or the use of tax efficient benefits. With structured implementation and control, certain benefits can be provided to an employee more tax efficiently, for example if the employer is subject to Taiwan profits tax, the cost of providing such benefits will be fully tax deductible for the employer even if the benefits are received tax free by the employee.

Grant Thornton Taiwan's expatriate tax team can advise expatriates on these and related opportunities.

For further information on expatriate tax services in Taiwan please contact:

Jay Lo
E jay.lo@tw.gt.com

Thailand

Expatriates commencing employment in Thailand will be subject to comprehensive tax rules and employment visa requirements. Grant Thornton Thailand can help expatriates and their employers in dealing with tax and employment visa matters in Thailand.

In particular Grant Thornton Thailand can assist expatriates and their employers with tax planning, reviewing tax equalisation policies and providing compliance services regarding tax filing requirements.

Facts and figures

Pre arrival procedures

Expatriates who require a work visa must apply for this before beginning employment in Thailand. It is therefore important that the expatriate's employment contract and benefit package is structured in a tax efficient manner before the contract is submitted to the Thai Immigration Bureau.

Employment visas

Under the requirements of the Thai Immigration Bureau, expatriates must apply for a 'Non-immigrant Visa' before commencing employment. The Thai Immigration Bureau places emphasis on the education level and skills of the employee and the economic benefits to Thailand that will flow from the expatriate's employment.

If the expatriate's spouse and dependent family relocate to Thailand they will require dependent visas. It should be noted that spouses entering Thailand on dependent visas are not allowed to take up employment in Thailand unless they secure a separate employment visa sponsored by their employers.



Tax year

The Thailand tax year of assessment for individuals is from 1 January to 31 December. The annual income tax return is required to be filed on or before the last day of March of the following year of assessment.

Tax returns and compliance

An expatriate who earns Thailand sourced income is required to file an annual personal income tax return by 31 March of the following year. Tax withheld is creditable against annual tax liabilities. Excess withholding tax is refundable.

Income tax rates

| Net taxable income (Baht) | Rate | Tax amount | Accumulated tax (Baht) |
|---------------------------|--------|------------|------------------------|
| 0-150,000 | Exempt | 0 | 0 |
| 150,001-300,000 | 5% | 7,500 | 7,500 |
| 300,001-500,000 | 10% | 20,000 | 27,500 |
| 500,001-750,000 | 15% | 37,500 | 65,000 |
| 750,001-1,000,000 | 20% | 50,000 | 115,000 |
| 1,000,001-2,000,000 | 25% | 250,000 | 365,000 |
| 2,000,001-4,000,000 | 30% | 600,000 | 965,000 |
| 4,000,001 and above | 35% | | |

Sample income tax calculation

| Gross compensation income | | Baht |
|---|-----------|---------------------|
| Gross compensation income | | 5,000,000.00 |
| Less: | | |
| Allowable deductions and allowances | | |
| Expenses (40% not over 60,000) | 60,000.00 | |
| Self-allowance | 30,000.00 | |
| Social security contributions 5% (750 x 12) | 9,000.00 | 99,000.00 |
| Net taxable income | | 4,901,000.00 |
| 150,000 | x Exempt | 0 |
| 150,000 | x 5% | 7,500 |
| 200,000 | x 10% | 20,000 |
| 250,000 | x 15% | 37,500 |
| 250,000 | x 20% | 50,000 |
| 1,000,000 | x 25% | 250,000 |
| 2,000,000 | x 30% | 600,000 |
| 901,000 | x 35% | 315,350 |
| 4,901,000 | | 1,280,350 |
| Personal income tax | | 1,280,350 |

Basis of taxation page

Charge to tax

Thailand tax is imposed on assessable income. A resident of Thailand is taxed on income earned in Thailand and on income earned offshore which is brought into Thailand in the year the income is earned. Non-residents are subject to income tax on all income earned in Thailand, subject to the provisions of the relevant double tax agreement, if any.

The definition of 'income' for income tax purposes includes; wages, salaries, per diem, bonuses, bounties, gratuities, pension, directors' fees, brokerage fees, discounts, subsidies, meeting fees, house rent allowances, monetary value of rent free accommodation provided by the employer, income tax paid and borne by the employer, any other property or benefits derived by virtue of hire of services, rental fees, interest, dividends, capital gains and royalties.

Residence

An individual is a tax resident in Thailand if they have been physically present in Thailand for an aggregate period of 180 days in any calendar year. The number of days is counted from the date the individual arrives in Thailand as shown in their passport.

Income from employment

‘Taxable income’ is income derived by virtue of hire of service in Thailand, irrespective of whether income is paid inside or outside Thailand.

Thailand operates a self-assessment tax system where an expatriate is required to calculate and pay income taxes due on their income at the time of filing the return. In addition, under the Thailand withholding tax system, the employer is required to withhold tax monthly from employment income and remit the taxes withheld to the revenue office. Expatriates are required to obtain a tax identification number from the revenue department.

Source of employment

Income from employment ordinarily has its source in the place in which the services are performed. A contract executed offshore does not protect an expatriate from paying tax on income from sources in Thailand.

Benefits (in kind)

Income tax is imposed on benefits that are reimbursed or paid directly by the employer for the employee including, for example, accommodation (rental), utility bills, club membership, transportation and automobile expenses, school fees, mobile phone bill, etc.

Provided benefits that are necessary for the trade or business of the employer, or provided for the convenience of the employer are not subject to income tax. Each case must be determined on its own facts and circumstances.

Expatriate concessions

Qualified expatriates working for qualifying regional operating headquarters (ROH) in Thailand may opt to be taxed at the final withholding tax rate of 15% instead of the normal progressive tax rates for a maximum period of eight consecutive years, whether or not such an alien has occasionally been travelling out of Thailand during that period.

Expatriates who have previously worked for a qualified ROH are eligible to receive tax benefits for another eight years starting from the date they work under the new ROH scheme.

Relief for foreign taxes

Thai residents are taxable on Thailand source income and offshore source income on remittance rule basis.

Income that has been taxed in a foreign jurisdiction is entitled to a tax credit, subject to certain limitations, against Thailand’s tax liability.

Deductions against income

Thai residents are given a lump-sum standard deduction from employment income or personal services income at 40% of assessable income up to a maximum of 60,000 Baht. For other income, actual expenses or lump-sum standard deductions are available. There is no tax deduction against passive income such as interest, royalties, dividends and other investment income.

What taxes?

Capital gains tax

There is no capital gains tax in Thailand. Income arising from transfer of shares and properties is considered ordinary income, and is included in the calculation of income tax. Capital gains arising from selling stocks on the Thailand stock market are exempt.

Investment income

Generally investment income is aggregated with other types of income and subject to tax based on the tax rates set out above.

Local taxes

There are no local taxes imposed on individuals.

Real estate tax

Sale of land or other real estates

A land registration fee of 2% of the official assessed value is applicable. The liability for this tax is shared equally by the seller and buyer.

Rental income

It is a general practice in Thailand for the lessor to prepare several agreements with a new tenant primarily because of the 12.5% house and land tax and Value Added Tax (VAT) at 7%.

- house and land tax is 12.5% based on the assessed annual value or rentals, whichever is higher
- a registration fee of 1% based on rentals as provided in the lease agreement is imposed to agreements with a lease period of more than three years
- the lease of immovable property is exempt from VAT whereas rental of furniture and the provision of other property related services are subject to VAT. The VAT (7%) is passed on to the lessee.

Real estate taxes on rentals are the liability of the landlord. Thus, unless there is an agreement to the contrary, it will not affect expatriates who are working in Thailand.

Social security taxes

Employees between the ages of 15-60, and their employers, must make monthly contributions to the Social Security Fund.

The regular rate is 5%, up to a maximum contribution of THB750 per month.

Stock options

Gains from exercising company stock options are taxable as employment income.

Wealth tax

There is no wealth tax in Thailand.

Other specific taxes

No other taxes are applicable in Thailand.

Tax planning opportunities

An expatriate on a short-term visit to Thailand may be eligible for relief from income tax in accordance with provisions in certain international tax treaties entered into by the Thailand Government. Also, certain forms of compensation are exempt from tax. Grant Thornton Thailand's expatriate tax team can advise expatriates and their employers on these and related opportunities.

For further information on expatriate tax services in Thailand please contact:

Melea S. Cruz
E melea.cruz@th.gt.com

Edward K Strauss
E edward.strauss@th.gt.com

Uganda

In Uganda, income tax applies generally to all types of persons who derive income, whether an individual, bodies of individuals, or corporate bodies. Resident persons are taxed on worldwide income, while non-resident persons are taxed only on income derived from sources in Uganda. However, a few exemptions are granted for different categories of income earned either through business activities or employment.

An expatriate taking up employment in Uganda will therefore need to be familiar with the taxing rules and exemptions available within the law, and also how best to secure the appropriate tax saving through proper planning.

Grant Thornton Uganda can help employers and individuals in complying with the Ugandan tax obligations and visa requirements. In addition Grant Thornton Uganda can assist individuals and employers in identifying tax planning opportunities, reviewing tax computations and providing compliance services in respect of Ugandan tax obligations.

Facts and figures

Pre arrival procedures

Non-Ugandan citizens/national may require an entry visa depending on the individual's nationality. Individuals intending to work in Uganda must secure a work permit. The work permit is required to be applied for prior to entering the country through the prospective employer. However, a short term work visa may be obtained after arrival in the country.

Short term business visa can be obtained on arrival at the point of entry.

Employment visas

An employment visa is issued under 'G' class. The main criteria of granting the employment visa are that the similar skill or qualification person is not available in Uganda.

Necessary qualification and experience letters are the main documents required among other. The person coming to work in Uganda must come with a police clearance certificate from their respective country.

An employment visa is issued for maximum of three years and is further renewable.



Spouses are issued with dependent visas and in case of children of the dependent they are issued with student visas.

Infants are also issued with dependent visas.

Generally persons coming to work in Uganda with a non-governmental organisation (NGO) or donor funding agencies are issued a work visa faster.

Tax returns and compliance

Tax returns for taxes withheld at source must be filed by the 15th day of the month following the withholding.

Filing obligations are uniform for all resident persons, local or expatriate.

Currently there are no late filing penalties for withholding tax returns. However, an interest charge is imposed for late payment of the tax withheld.

Tax year

The tax year in Uganda, referred to as the 'year of income' this is a twelve month period ending 30 June.

Income tax rates - Income arising from the work factor

The income tax rate for companies is 30%, and that for individuals is either 10%, 20% or 30% depending on the income bracket. This applies to both residents and non-residents. Income tax rates are as follows:

- **Annual computation rates** – these annual rates apply to individuals who derive business income and file annual provisional and final income tax returns.

| Annual chargeable income (CY) in Uganda Shillings | Rate of tax for residents | Rate of tax for non-residents |
|---|---|---|
| 0 to 2,820,000 | Nil | CY x 10% |
| 2,820,000 to 4,020,000 | (CY - 2,820,000) x 10% | CY x 10% |
| 4,020,000 to 4,920,000 | (CY - 4,020,000) x 20% + (120,000) | (CY - 4,020,000) x 20% + (402,000) |
| 4,920,000 to 120,000,000 | (CY - 4,920,000) x 30% + (300,000) | (CY - 4,920,000) x 30% + (582,000) |
| Above 120,000,000 | [(CY - 4,920,000) x 30% + (300,000)] + [(CY - 120,000,000) x 10%] | [(CY - 4,920,000) x 30% + (582,000)] + [(CY - 120,000,000) x 10%] |

- **Monthly computation rates** – these rates apply to individuals in employment and it is the responsibility and obligation of the employer to deduct tax (usually referred to as Pay As You Earn (PAYE)), from the employees gross monthly salary and remit it to the Uganda revenue authority by the 15th of each month.

| Monthly chargeable income (CY) in Uganda Shillings | Rate of tax for residents | Rate of tax for non-residents |
|--|---|---|
| 0 to 235,000 | Nil | CY x 10% |
| 235,000 to 335,000 | (CY - 235,000) x 10% | CY x 10% |
| 335,000 to 410,000 | (CY - 335,000) x 20% + (10,000) | (CY - 335,000) x 20% + (33,500) |
| 410,000 to 10,000,000 | (CY - 410,000) x 30% + (25,000) | (CY - 410,000) x 30% + (48,500) |
| Above 10,000,000 | [(CY - 410,000) x 30% + (25,000)] + [(CY - 10,000,000) x 10%] | [(CY - 410,000) x 30% + (48,500)] + [(CY - 10,000,000) x 10%] |

Basis of taxation

Charge to tax

The total amount of an expatriate's income is taxed locally if the expatriate exercises their employment in Uganda.

A person's liability to tax is based on the person's residence and whether the person is earning any income that is subject to tax, ie business income, employment income or property income.

As a general rule, residents are taxed on their world-wide income and a credit may be allowed for tax paid in other jurisdictions. Non-residents are taxed only on their income derived from sources in Uganda. Where the non-resident has no permanent establishment in Uganda, a final tax is withheld on the gross amount of the payment to the non-resident.

Residence

An expatriate's residence is determined by the number of days they are present in Uganda during a year of income, ie either an aggregate of 183 days, or an average of 122 days in a current year and the preceding two years. An expatriate may also be resident if they have a permanent home in Uganda.

Income from employment

Generally, income from employment means any income derived by an employee from any employment, including salary, wages, bonuses, commission, gratuities, allowances etc.

An expatriate who works in Uganda for a period of one month will become liable to tax, and the employer is required to withhold the tax known as 'PAYE' upon making payment.

Employer's are required by law to deduct tax from an expatriate's salary or else they become personally liable for the tax that should have been deducted.

Source of employment

Source of employment income is determined by the place where the employment is exercised. If the employment is exercised in Uganda, then any income derived by virtue of that employment will be taxed in Uganda, irrespective of where it is paid from or by who.

Benefits (in kind)

All benefits granted by virtue of an expatriate's employment is taxable. The benefits are valued on the basis of market values.

The employer is required to add the market value of the benefit to the salary of the employee and tax it together.

Expatriate concessions

There are no expatriate concessions available in Uganda.

Relief for foreign taxes

Tax credits up to a maximum of the tax payable in Uganda are granted for tax paid in foreign jurisdictions on the same income. The person who wishes to claim a tax credit must prove payment of tax on that income in the foreign jurisdiction.

Deductions against income

Generally there are no deductions against income, however, the following amounts do not constitute employment income subject to tax: passage costs, reimbursements or discharge of medical expenses, life insurance premium, subsistence allowance while undertaking work related travel, value of meals provided, employer's contribution to a retirement fund and value of share acquisition schemes.

What taxes?

Capital gains tax

Capital gains from the disposal of a business asset and shares in a private company are taxed as business income. Currently, there is no distinct capital gains regime.

Depending on whether the capital gain has been made by an individual or a company, the individual or corporate rates apply, ie 12, 20 or 30% for individuals; and 30% for companies.

Only capital gains from the disposal of business assets and shares in a private limited company are taxable.

An expatriate will generally not be affected by tax on capital gains unless they dispose of a business asset.

Inheritance, estate and gift taxes

The value of any property acquired by gift, bequest, devise or inheritance that is not included in business, employment or property income, is exempt from tax.

Investment income

Investment income is taxable under the general category of property income.

The same rates for individuals and companies apply because property income is generally added to the gross income of the person. However in many instances, dividends, interest, annuities, natural resource payments, royalties and other payments derived from the use or exploitation of property are taxable at a final rate of 15% by withholding.

Investment or property income includes dividends, interest, annuities, natural resource payments, royalties and other payments derived from the use or exploitation of property, including the value of any gifts derived in connection with the provision, use or exploitation of property.

Any other income derived by a person that is not classified as exempt, also qualifies as property or investment income.

Expatriates who derive any of the above amounts are liable to any tax imposed accordingly.

Local taxes

Local service tax at fixed rates depending on the amount of employment income earned. This is deducted by the employer and paid to the local authority in the person's place of residence.

Real estate tax

Income derived from letting or leasing of real estate is taxed separately for individuals as rental income. If the income is derived by a company, it is treated as business income and taxed at the corporation tax rate of 30%.

For individuals, a tax free income threshold of approximately \$600 per annum, plus another 20% as expenses is granted. The balance is taxed at 20%.

Any expatriate who derives rental income is liable for tax.

An expatriate renting or leasing a property is only required to pay the rent charged by the owner of the property. The accounting for tax is done by the owner of the property.

Social security taxes

All individuals in employment are required to contribute 5% of their gross pay towards social security. The employer contributes a further 10%.

Expatriates exercising their employment in Uganda may be exempted from this contribution if they can prove that they make a similar contribution in their home countries.

Stock options

The value of stock options is not considered to be employment income of an employee.

Wealth tax

Not applicable.

Other specific taxes

Value Added Tax (VAT) is payable on consumption of specified goods referred to as standard rated goods at a rate of 18%.

Tax planning opportunities

| Earnings description | Planning possible |
|--------------------------|-------------------|
| Base salary | N |
| Bonus | N |
| Car allowance | N |
| Cost of living allowance | N |
| Housing | Y |
| Home leave | N |
| Club membership | N |
| Moving expenses | Y |
| Foreign service premiums | Y |
| Education/schooling | N |

For further information on expatriate tax services in Uganda, please contact:

Anil Patel

E anilpatel@gtuganda.co.ug



Ukraine

Personal income tax (expatriate tax) is levied on income originated in Ukraine and payable to foreign citizens.

The personal income tax is deducted from:

- salary and wages
- income from the sale of movable and immovable property
- income from property rental
- investment income
- inheritance and gifts
- other income.

Where a tax agent (company or individual entrepreneur) pays an income to a foreigner, such tax agent is charged with the responsibility to withhold and pay taxes.

Where a person other than the tax agent (natural person) pays an income to the foreigner, they charged with the responsibility to withhold and pay taxes.

Where a non-resident of Ukraine pays income to a foreigner, the authorised bank is charged with the responsibility to withhold and pay taxes.

Grant Thornton Ukraine has experience in:

- consulting on issues pertaining to taxation of foreigners' income
- preparation of annual tax returns for foreigners
- tax management for foreign citizens.

Facts and figures

Pre arrival procedures

Employers have the right to employ foreigners in the territory of Ukraine subject to a special work permit.

The following may be employed without the work permit:

- foreigners permanently residing in Ukraine
- refugees
- foreigners who are in need of protection
- representatives of the foreign sea (river) fleet and airlines
- employees of foreign media
- professional athletes, entertainers and artists
- employees of the emergency rescue services
- employees of foreign missions
- clergy
- foreigners who are involved in international technical assistance projects
- foreign teachers
- other foreigners in cases provided by laws and international treaties ratified by Ukraine.



Employment visas

The work permit for a foreign citizen is issued for a period of up to one year. The permit is issued on condition that there are no employees in Ukraine who are able to perform the appropriate type of work, or there is a rationale for the use of their labour.

Foreigners who enter the Ukraine for employment purposes and their family members will receive a temporary residence permit.

Tax year

The tax period in cases when it is necessary to file a tax return is the calendar year. The tax year is the year ending 31 December.

Tax returns and compliance

An annual income tax return is to be filed before 31 May of the following year.

The foreigners shall file an annual tax return in following cases:

- a foreign citizen receives income from sources other than the tax agent
- a foreign citizen receives income from more than one tax agent and the total income received exceeds 137,640 UAH
- a foreign citizen acquires the status of Ukrainian resident.

Declaration shall not be filed in the following cases:

- where a tax is paid upon notary certification of disposal of property by the foreign citizen
- where a tax is paid upon notary certification of inheritance by foreign citizen.

Failure to file income tax return entails the following types of responsibility:

Financial:

- a fine of 170 UAH for each case of failure to file the tax return
- a fine in the amount of 25% of the unpaid tax.

Administrative:

- a fine of 51-136 UAH for each case of failure to file the tax return.

Criminal:

- a fine of 17,000 UAH in case of failure to pay in the amount that exceeds 573,500 UAH.

Income tax rates

Basic personal income tax rate in Ukraine is 15%.

For income in excess of 11,470 UAH per month, the excess amount is taxable at a rate of 17%.

Lower (higher) rates are set for certain types of income:

- 0% – for gifts, inheritance received from family members of the first degree kinship (parents, spouses, children)
- 5% – for gifts, inheritance received from family members of other than the first-degree kinship, for income from the sale of property, etc.
- 10% – for the miners' wages
- 30% – for winnings and prizes

For non-cash income, income is determined based on arm's length prices using a ratio calculated by the formula: $K = 100 : (100 - Cn)$, (where, K is a coefficient; Cn is a the tax rate).

Sample income tax calculation

Personal income tax computation based on the salary of 20,000 UAH.

| | UAH |
|---|-----------------|
| Salary | 20,000.00 |
| Maximum salary on which the single social contribution is charged | 19,499.00 |
| Single social contribution – 3.6% | 701.96 |
| Salary taxable at the rate of 15% | 11,470.00 |
| Tax rate of 15% | 1,720.50 |
| Salary taxable at the rate of 17 % | 7,828.04 |
| Tax rate of 17% | 1,330.77 |
| Total tax | 3,051.27 |

Basis of taxation

Charge to tax

Personal income tax is levied on income originated in Ukraine and payable to foreign citizens.

Rules of taxation of non-residents have hardly any differences from the rules established for residents of Ukraine. Except for the fact that non-residents do not pay tax on foreign income.

If an international treaty ratified by the Verkhovna Rada of Ukraine establishes rules other than those set forth in the tax code, rules of this international treaty shall apply.

Residence

An individual is Ukrainian tax resident if they:

- have a place of residence only in Ukraine
- have a permanent place of residence only in Ukraine (in case this person has a place of residence in a foreign country)
- have the centre of vital interests in Ukraine (if this person has a permanent place of residence in a foreign country)
- stay in the Ukraine for more than 183 days within the tax year (if the centre of vital interests cannot be established or this person has no permanent place of residence).

Centre of vital interests of the individual is located in Ukraine if:

- the place of permanent residence of his family is Ukraine
- this person is registered as an entrepreneur in Ukraine
- in other cases.

Income from employment

The following are the components of the gross salary in Ukraine:

- base wage or salary
- extra pays
- bonuses or allowances
- guarantee payment
- compensation
- premium
- incentive payments.

The obligation to pay personal income tax arises from the day the income is received.

The obligation to withhold and pay taxes on disbursements related to remunerations is placed on the tax agent (employer).

If the monthly salary of an employee is below 1,610 UAH, the employee is entitled to use tax social benefits to reduce the tax base by 573.50 UAH.

Source of employment

Income originated in Ukraine is taxable on a pay-as-you-earn basis at the location of an employer and business units thereof.

Benefits (in kind)

Personal income tax is levied on income obtained by a foreigner as a fringe benefit.

A fringe benefit includes:

- the utility value of property, other property granted by an employer to use free of charge or compensation of such utility value
- value of property and meals received for free
- value of domestic staff services received for free
- cash or property compensation of any expenditures
- gratuitous financial assistance
- the amount of forgiven debt
- goods (works, services) received for free or discounts thereon.

Fringe benefits do not include:

- the value of the property provided for use, where such use is related to the performance of job functions, set forth in the collective labour agreement or laws
- revenues that the employer includes in the costs of goods (works, services)
- funds and property received for disabled persons to participate in recreational, physical education, sports and other events
- cash and property compensation of expenses, if such compensation is required by law.

Where a tax agent (company or individual entrepreneur) provides a fringe benefit to the foreigner, the agent is charged with the responsibility to withhold and pay taxes.

Expatriate concessions

The foreign citizen who receives income from the performance of diplomatic activities with the source of origin in Ukraine and enjoys diplomatic privileges and immunity is not a taxpayer.

Relief for foreign taxes

Only residents of Ukraine pay taxes on foreign income. Resident may reduce taxes payable in Ukraine by the amount of taxes paid abroad, if include in an international treaty, concluded with respective state and ratified by the Verkhovna Rada of Ukraine.

The amount of taxes on foreign income paid abroad may not exceed the amount of taxes calculated in accordance with the laws of Ukraine.

Deductions against income

The following shall not be included in the personal income tax base:

- the amount of interest on securities issued by the Ministry of Finance of Ukraine and debt obligations of the National Bank of Ukraine
- charity
- compulsory social insurance contributions
- a single social contribution
- the cost of special meals and special clothing
- business trip allowances and funds received on condition of accountability
- value of goods received as a warranty replacement or compensation of their value
- dividends in the form of shares (fractions thereof, participating interests)
- the cost of staff training and retraining services
- income from the sale of own agricultural products
- income from the disposal of recyclable materials and wastes
- stipends of up to 1,610 UAH
- insurance premiums, insurance compensation or redemption amount under the insurance contract
- deposits and loans
- reimbursable financial assistance
- amounts received for the donorship
- income of a natural person - single tax payer
- non-monetary gifts (prizes) worth up to 573.50 UAH. (per month)
- interest on bank accounts, to which the salaries are paid, scholarships, pensions, social benefits and other social payments
- winnings, state lottery prizes of up to 57,530 UAH
- investment income from transactions with debt obligations of the National Bank of Ukraine and the Ukrainian treasury bills
- other income.

What taxes?

Capital gains tax

There is no capital gains tax in Ukraine.

Inheritance, estate and gift taxes

The value of the property inherited by testator family members of the first-degree kinships (parents, spouse, children) is taxed at a rate of 0%.

The value of any object of inheritance obtained by heirs other than testator family members of the first-degree kinship relatives is taxed at the rate of 5%.

Inheritance received by any heir from a non-resident testator and any object of inheritance inherited by a non-resident heir is taxable at a rate of 15% (17%).

Investment income

Personal income tax is levied on investment income.

Investment income is calculated as a positive difference between the income from the sale of an individual investment asset (a block of securities, derivatives, corporate rights) and its cost.

The base tax rate for investment income is 15% (17%).

Foreigners pay personal income tax on investment income originating in Ukraine.

Local taxes

The following are the local taxes in Ukraine:

- real estate tax
- fee for parking of vehicles
- fee for performance of certain business activities
- tourism levy.

Real estate tax

Real estate tax payers in Ukraine include legal and natural persons (including non-residents) who own residential real estate property. Tax rates are decided by local governments as a percentage of the minimum wage at the beginning of the year (1,147 UAH per 1 square meter).

The tax rates for natural persons:

- less than 1% for apartments with the area of below 240 square meters, or for houses with the area of below 500 square meters
- 2.7% for apartments with an area of above 240 square meters or houses with the area of more than 500 square meters
- 1% for various types of residential real estate property with the total area of below 740 square meters
- 2.7% for various types of residential real estate property with the total area of more than 740 square meters.

Social security taxes

Single social contribution is levied in Ukraine. Citizens of Ukraine, foreign citizens and stateless persons working in companies or employed by individual entrepreneurs shall pay single social contribution.

The base for single social contribution include:

- wages
- payments under civil law contracts
- cash security
- allowance for temporary incapacity
- pregnancy and childbirth allowance
- benefits or compensation under the law.

The base rate for contribution is 3.6 %. Alternative rates are established for some payments:

- 2.85% – for employees with disabilities who work at special enterprises
- 2.6% – for payment under the civil law contracts, for the military servicemen
- 6.1% – for civil servants and other categories of workers
- 2% – for allowances for temporary incapacity, pregnancy and childbirth.

The same rules apply where single social contribution is levied on citizens of Ukraine and foreigners. The maximum salary on which single social contribution is levied is 19,499 UAH.

If an international treaty ratified by the Verkhovna Rada of Ukraine establishes rules other than those set forth in the tax code, rules of this international treaty shall apply.

Stock options

The tax code does not establish any special rules towards taxation of stock-options.

Wealth tax

Wealth tax is not levied in Ukraine.

Other specific taxes

Excise duty is levied on natural persons (both residents and non-residents) who conduct transactions with derivatives or dispose of securities.

Tax rates:

- 0% on sale of securities at the stock exchange
- 0% on transactions with derivatives at the stock exchange
- 0.1% on sale of listed securities off the stock exchange
- 1.5% on sale of non-listed securities off the stock exchange
- 85 UAH for trade in derivative off the stock exchange.

For further information on expatriate tax services in the Ukraine please contact:

Artem Novykov

E artem.novykov@ua.gt.com

United Arab Emirates (UAE)

**The United Arab Emirates is a tax free country.
No taxes have been levied on the Expatriates in
UAE.**

For further information on expatriate tax services in the United Arab Emirates (UAE), please contact:

Hisham Farouk
E hisham.farouk@gtuae.net





United Kingdom

The United Kingdom has complex tax and social security laws and most expatriates will need professional help in filing their tax return.

Grant Thornton UK LLP has a number of offices around the country with expatriate expertise and with specialists in employer compliance, pensions, share schemes, and general tax and social security advice.

Facts and figures

Pre arrival procedures

Visitors from outside the EU will need a work permit to work in the UK. Visas may be required depending upon the country of origin.

Employment visas

Grant Thornton UK LLP can assist with UK immigration matters.

Tax year

The start of the tax year in the UK is 6 April and it runs to 5 April each year.

Tax returns and compliance

The tax return filing date is 31 October for paper returns and 31 January for on-line filing. There are penalties for late filing of a return. Interest and tax-based surcharges are due on late paid tax.

Tax due must be paid by 31 January, however, two installments of 'Payments on Account' may be required in advance in certain circumstances. The first is payable by 31 January, along with the filing of the prior year return, and the second by 31 July.

Income tax rates

| Rate | 2012-13 | 2013-14 |
|--------------------------------|------------------|---------------------------------|
| Starting rate for savings: 10% | £0-£2,710 | £0- £2,790 |
| Basic rate: 20% | £0-£34,370 | £0-£32,010 |
| Higher rate: 40% | £34,371-£150,000 | £32,011- £150,000 |
| Additional rate: 50% | Over £150,000 | N/A |
| Additional rate: 45% | N/A | Over £150,000 from 6 April 2013 |

A personal allowance may also be available (£8,105 in 2012/13 and £9,440 in 2013/14) but this is not available to high earners. The personal allowance is phased out by £1 for every £2 in excess of £100,000. The entitlement to the personal allowance is also lost for those excluding over £2,000 of non-UK income and gains from UK tax under the remittance basis.



Sample income tax calculation

| Amount (£) | | |
|---------------------------------------|-------------------------|-----------------|
| Base salary | | 110,000 |
| Bonus | | 24,900 |
| Car allowance | | 4,000 |
| Medical benefit | | 1,500 |
| Housing allowance | | 15,000 |
| Total earnings | | 155,400 |
| Less: | | |
| | Accommodation | (15,000) |
| | Subsistence | (3,000) |
| | Travel | (2,400) |
| | Total deductions | (20,400) |
| Total | | 135,000 |
| Less Overseas workday relief | | |
| | Days worked | o/seas |
| | | 55 |
| | | total |
| | | 240 |
| | | (30,938) |
| Overseas pension contributions | | (7,470) |
| Gross income | | 96,592 |

| | Amount (£) | Amount (£) | Amount (£) |
|--------------------------|---------------|------------|---------------|
| Gross income | 96,592 | | |
| Less: personal allowance | (9,440) | | |
| Taxable income | 87,152 | | |
| | | 32,010 | @ 20% |
| | | 55,142 | @ 40% |
| | | 0 | @ 50% |
| Total | 87,152 | | 6,402 |
| | | | 22,057 |
| | | | 0 |
| Net tax liability | | | 28,459 |

Basis of taxation

Charge to tax

Taxation in the UK depends upon your residence and domicile status. You can request a document on residence and domicile by e-mailing Louise O'Shea.

Non-residents only pay tax on UK sourced income.

Residents who are not domiciled in the UK pay tax on either worldwide income (Arising Basis) or on UK sourced income plus remitted worldwide income (Remittance Basis). Remittance Basis taxpayers who are excluding more than £2,000 of non UK source income from UK tax are typically not able to claim the personal allowance.

Remittance basis taxpayers may also have to pay a £30,000 a year charge to claim this basis after they have been resident in the UK over a period including seven tax years. From 5 April 2012 this charge rose to £50,000 a year for individuals who have been resident in the UK over a period including twelve tax years.

Complex rules apply with respect to remittances. A fact sheet is available from Louise O'Shea.

Residence

A new UK statutory residence test (SRT) was introduced from 6 April 2013, which sets out detailed rules in legislation for determining whether an individual is a tax resident in the UK.

It applies for income tax, capital gains tax and also other taxes such as inheritance tax. It does not apply to National Insurance contributions, which retains its own concept of residence.

The test is divided into three parts, with each part considered in turn, and only if the previous part fails to provide a conclusive answer.

1. The automatic overseas test
2. The automatic UK tests
3. The sufficient UK ties test

The tests consider factors such as the number of days spent in the UK, as well as subjective criteria, such as personal ties to the UK to determine whether an individual is resident or not resident.

For more information on the new statutory residence test or to obtain a factsheet on the rules and they apply contact Louise O'Shea.

Income from employment

All employment related income is taxed in the UK, but there are specific and complex rules for benefits in kind and share schemes (there are deductions and exemptions available):

- expats become taxable for a single day's work in the UK but there may be exemption for incidental workdays and also relief under a double tax treaty between the UK and the country of residence of the expatriate
- there is usually a requirement for tax and social security to be deducted and paid over to the tax authorities, either by the employer, the deemed employer or the employee themselves
- personal allowances are available in some circumstances but this is not available to high earners (it is phased out by £1 for every £2 in excess of £100,000) or those excluding over £2,000 from UK tax under the remittance basis
- income from employment relating to UK workdays is taxed no matter where or when it is paid. In some circumstances employment income relating to non-UK workdays may avoid UK taxation.

Source of employment

The source of employment income follows the OECD model treaty which means if the employee is working in the UK; the employment income will be sourced to the UK for that day.

Benefits (in kind)

- Most benefits in kind are taxable but some are exempt and some subject to scale rates. Car tax and car fuel is taxed based on the emissions of the car and tax charges can be heavy.
- Benefits are taxed on the employee but withholding taxes (PAYE) are usually adjusted to collect the tax on the benefits during the year.
- There is some scope for the delivery of benefits in a tax effective way.

Expatriate concessions

The remittance basis enables expatriates who are resident but domiciled outside the UK to avoid tax on non-UK workdays.

There are planning points around pensions, accommodation, travel and subsistence expenses and timing of payments.

Overseas workday relief – where an individual receives employment income that is not remitted to the UK, it may be possible to exclude remuneration that relates to overseas workdays from UK taxation. New rules which apply from 6 April 2013 must be followed in order to claim this relief. In addition, complex 'Special Mixed Fund' rules have been introduced and as a result special planning is required to ensure that claims are fully compliant. Previous rules on claiming overseas workdays relief have been 'grandfathered' for employees who arrived before 6 April 2013 and it is therefore advisable to seek further advice.

Detached duty relief – expatriates who are regarded as working at a temporary workplace may be able to obtain tax relief on assignment related expenses such as accommodation, utilities, travel and subsistence payments. In order to qualify for relief an individual must be working away from their normal work location for a period of no longer than 24 months. There are strict record keeping obligations which must be satisfied in order to claim this relief.

For more information on the overseas workday relief or detached duty relief contact Louise O'Shea.

Relief for foreign taxes

Relief from double taxation is available under the domestic law and also by virtue of the many tax treaties that the UK has with other countries.

Deductions against income

Deductions are available for some travel expenses, pension contributions, charitable donations and business expenses.

What taxes?

Capital gains tax

Capital gains tax is separately charged on all residents. For 2013/14, the rate is 18% for basic rate taxpayers or 28% for higher rate taxpayers.

An annual exemption may also be available (£10,900 in 2013/14) but this is not available to those excluding over £2,000 from UK tax under the remittance basis.

There is a relief for entrepreneurs for the first £10m of gains at 10% (£5 million for gains realised after 22 June 2010 and before 6 April 2011, £2 million for gains realised before 23 June 2010).

There are a number of exemptions and reliefs available, such as the main residence exemption for an individual's principal private residence and entrepreneurs relief which reduce the tax rate to 10% on up to £10 million of gains in certain circumstances. The rules are complex and specific advice should be sought.

Gains on foreign assets may be taxed on a remittance basis for expatriates where they are domiciled outside of the UK.

Inheritance, estate and gift taxes

The UK charges inheritance tax on some lifetime gifts and on death. The rules are very complex as there are a range of exemptions and reliefs.

Expatriates are usually taxed only on assets located in the UK.

Investment income

All investment income is usually taxed at normal income tax rates but the tax treatment of dividends is complex.

Expatriates on the remittance basis will only pay tax on foreign source investment income to the extent the income is remitted to the UK.

There are some tax exempt savings available in the UK.

Local taxes

Local taxes do not exist at this time.

Real estate tax

Living accommodation is subject to a council tax. This is charged per property regardless of the income of the occupants.

Social security taxes

The rates for social security vary. From 6 April 2013 employees pay social security at 12% on approximately £40,000, and 2% on any excess. Employers pay 13.8% without a cap.

Stock options

Stock option income specifically, and all income derived from securities, is taxed in the UK. The rules are complex based on the nature of the share plan and should be reviewed on a case by case basis.

Wealth tax

There are no wealth taxes other than inheritance tax.

Other specific taxes

Other specific taxes do not apply in the UK.

Tax planning opportunities

UK tax can be reduced by planning in areas such as:

- detached duty relief
- overseas workday relief
- timing of payments
- timing and duration of assignments
- pension scheme contributions
- relocation expenses
- incentive scheme planning
- using HMRC approved share plans
- planning remittances to avoid tax traps
- use of spousal exemptions to spread income and gains and reduce taxation
- planning for social security costs to be minimised.

For more information on planning UK assignments contact Louise O'Shea.

For further information on expatriate tax services in the United Kingdom please contact:

Louise O'Shea

E louise.oshea@uk.gt.com



United States – inbound

Individuals taking up employment in the US will be subject to a comprehensive set of tax rules and employment visa requirements. The liability for US income tax depends on whether an individual is a US citizen, resident alien or non-resident alien. This determination is made based on the specific facts and circumstances of that individual. Following is an overview of the US tax system for global employees going to work in the US.

Please contact Grant Thornton US, a member firm of Grant Thornton International to discuss your specific situation.

Facts and figures

Pre arrival procedures

The US taxes its citizens and residents on their worldwide income. Planning advice should be sought prior to arrival in the US if the taxpayer has appreciated assets that may be sold or deferred income that may be received during a residency period. The US also requires its citizens and residents to report assets held outside the US, including bank and investment accounts, direct and indirect investments in businesses, trusts, investment companies, unit trusts etc. Individuals should be familiar with the reporting rules before arriving in the US. Long term permanent residents of the US ('Green Card' holders of more than eight years) may be subject to an exit tax upon surrender of their resident status.

Employment visas

An immigration attorney should be contacted well in advance of arrival in US.

Tax year

The tax year runs from 1 January to 31 December.

Tax returns and compliance

An individual who is a resident of the US on 31 December files Form 1040, a US individual income tax return. An individual who is a non-resident of the US on 31 December files Form 1040NR. Certain taxpayers with simple situations may be eligible to file a shorter Form 1040EZ.

Due dates and extensions

Individual income tax returns are due on 15 April. US citizens and resident aliens with a tax home outside the US on 15 April receive an automatic extension to 15 June for filing the tax return (but not for payment of any tax due). Taxpayers may obtain an extension of time to file their returns to 15 October by filing Form 4868 by the original due date of the return. Tax should be paid throughout the year through wage withholding and/or estimated tax payments.

Taxpayers may be subject to interest and penalties if tax is not paid throughout the year and if balances due are not paid by the 15 April deadline.



Income tax rates

There are four categories of filing status that may apply to a taxpayer in the US: single, married filing jointly/surviving spouse, married filing separately, and head of household. Married filing jointly often provides the lowest tax; however, results may differ depending on income levels of the spouses.

If either spouse is a non-resident of the US at any time during the tax year, the taxpayers must use the married filing separately status, unless they qualify to make a special election to file jointly and be taxed as a US resident for the full year.

Federal income tax rates – 2013 (single)

| Taxable income (\$) | Tax |
|---------------------|--|
| 0 – 8,925 | 10% of taxable income |
| 8,926 – 36,250 | \$892.50 plus 15% of the excess over \$8,925 |
| 36,251 – 87,850 | \$4,991.25 plus 25% of the excess over \$36,250 |
| 87,851 – 183,250 | \$17,891.25 plus 28% of the excess over \$87,850 |
| 183,251 – 398,350 | \$44,603.25 plus 33% of the excess over \$183,250 |
| 398,351 – 400,000 | \$115,586.25 plus 35% of the excess over \$398,350 |
| Over 400,000 | \$116,163.75 plus 39.6% of the excess over \$400,000 |

Federal income tax rates – 2013 (married filing jointly)

| Taxable income (\$) | Tax |
|---------------------|--|
| 0 – 17,850 | 10% of taxable income |
| 17,851 – 72,500 | \$1,785 plus 15% of the excess over \$17,850 |
| 72,501 – 146,400 | \$9,982.50 plus 25% of the excess over \$72,500 |
| 146,401 – 223,050 | \$28,457.50 plus 28% of the excess over \$146,400 |
| 223,051 – 398,350 | \$49,919.50 plus 33% of the excess over \$223,050 |
| 398,351 – 450,000 | \$107,768.50 plus 35% of the excess over \$398,350 |
| Over 450,000 | \$125,846 plus 39.6% of the excess over \$450,000 |

Federal income tax rates – 2013 (head of household)

| Taxable income (\$) | Tax |
|---------------------|--|
| 0 – 12,750 | 10% of taxable income |
| 12,751 – 48,600 | \$1,275 plus 15% of the excess over \$12,750 |
| 48,601 – 125,450 | \$6,652.50 plus 25% of the excess over \$48,600 |
| 125,451 – 203,150 | \$25,865 plus 28% of the excess over \$125,450 |
| 203,151 – 389,350 | \$47,621 plus 33% of the excess over \$203,150 |
| 389,351 – 425,000 | \$112,037 plus 35% of the excess over \$389,350 |
| Over 425,000 | \$121,364.50 plus 39.6% of the excess over \$425,000 |

Federal income tax rates – 2013 (married filing separately)

| Taxable income (\$) | Tax |
|---------------------|---|
| 0 – 8,925 | 10% of taxable income |
| 8,926 – 36,250 | \$892.50 plus 15% of the excess over \$8,925 |
| 36,251 – 73,200 | \$4,991.25 plus 25% of the excess over \$36,250 |
| 73,201 – 111,525 | \$14,228.75 plus 28% of the excess over \$73,200 |
| 111,526 – 199,175 | \$24,959.75 plus 33% of the excess over \$111,525 |
| 199,176 – 225,000 | \$53,884.25 plus 35% of the excess over \$199,175 |
| Over 225,000 | \$62,923.00 plus 39.6% of the excess over \$225,000 |

Sample income tax calculation

Federal income tax calculation (for US residents only)

Assume a married individual with two children (both under 17 years old) and all family members considered tax residents of the US for the entire tax year.

| | \$ |
|---|----------------|
| Base salary | 150,000 |
| Bonus | 20,000 |
| Cost-of-living allowance | 12,000 |
| Interest and dividend income | 1,200 |
| Long term capital gain | 7,500 |
| Total income | 190,700 |
| Personal exemptions | -15,600 |
| Standard deduction | -12,200 |
| Taxable income | 162,900 |
| Federal tax ordinary income | 33,078 |
| Alternative Capital Gains Tax (CGT) | 32,103 |
| Federal tax (lower of above) | 32,103 |
| Alternative minimum tax | 0 |
| Total federal income tax | 32,103 |
| Marginal tax rate 28% | |
| Social tax calculation | |
| Compensation Income | 182,000 |
| OASDI (6.2% for 2013 capped at \$113,700) | 7,049 |
| Medicare (1.45%) | 2,639 |
| High income hospital insurance tax | 0 |
| Total social taxes | 9,685 |

Note: State income taxes are calculated separately from federal income taxes. The method for calculating the tax liability and the tax rates vary by state. This example does not include state income taxes.

Basis of taxation

Charge to tax

Resident aliens are taxed under the same rules as those that apply to US citizens. They are subject to tax at graduated rates on worldwide income. Non-resident aliens are taxed on their US source income.

Residence

The 'Green Card' test

An alien who is admitted as a lawful permanent resident (green card holder) will generally be treated as a resident of the US for income tax purposes. Residency status is effective from the first day the alien is present in the US as a lawful permanent resident. An individual remains a US resident the entire time he/she retains permanent resident status, even if the US assignment ends and the person returns to the home country. The alien must take affirmative action and surrender the green card in order to terminate permanent resident status.

Substantial presence test

The substantial presence test (SPT) is based upon the number of days of physical presence in the US (partial days count as full days). An individual present in the US for at least 31 days in the current year will be considered a resident alien if the sum of the following equals or exceeds 183 days:

Number of days present in the US in the current year + 1/3 of the days present during the first preceding year + 1/6 of the days present during the second preceding year.

The first day of residency is the first day of presence in the US during the calendar year. A de-minimis exception allows up to ten days to be disregarded in determining the residency starting date under the SPT.

Residency end date

Residency under the substantial presence test continues until the alien no longer meets the substantial presence test. The individual's residency terminates on the last day of the calendar year that the test is met. US residency may terminate at the time he/she moves away from the US, if at that time a tax home is established in another country and the individual has closer personal and business connections to that country. In addition, to break US residency, the individual must remain a non-resident for the subsequent calendar year.

Income from employment

Generally all forms of compensation are taxable in the US to both residents and non-residents (subject to the rules discussed later). Please note the following list is not meant to be all inclusive: base salary, bonus, cost of living allowance, housing allowance, education allowance for children, home leave reimbursements, reimbursement of host/home country taxes, personal use of company car, certain moving allowances and stock options. Once an individual is resident in the US, all compensation received is taxable, no matter the source.

Stock options

The taxation of an individual on stock option income depends on what kind of option has been granted, (eg incentive stock options or nonqualified options). A stock option is the right granted to an employee in consideration for the performance of services, to purchase shares in a corporate employer or related company. The option agreement usually specifies the purchase price and time period during which the option may be exercised. Income from the exercise of traditional stock option plans is generally taxed at ordinary tax rates and is subject to withholding upon exercise. The tax treatment of stock options is a complicated area and specialist advice should be sought if options are earned in multiple countries.

Source of employment

The source of employment is generally determined by the place where services are performed.

Benefits (in kind)

Generally, the individual is liable to pay tax on any benefits (in kind) received. Some benefits, including moving expenses, may have special tax treatment.

Expatriate concessions

Non-resident aliens are taxed only on US source income, which is categorised under two distinct definitions: income which is effectively connected with a US trade or business (ECI), and income which is not effectively connected with a US trade or business (Non-ECI). Certain kinds of fixed, determinable, annual, or periodical (FDAP) income are treated as ECI.

A non-resident alien's ECI is taxed under rules similar to those which apply to US citizens, (ie income can be offset by certain deductions and personal exemptions and the resulting taxable income is taxed at normal graduated rates).

Depending on the length and terms of the US assignment, tax relief may be available under the provisions of a bilateral tax treaty between the US and the home country. Generally, treaty relief for compensation is only available if the individual is not present in the US for more than 183 days during that year and the compensation is paid and borne by an offshore, (ie a non-US) entity. It is critical that the treaty provisions of each particular country be examined.

Non-ECI (which typically includes investment income such as interest, dividends, rents and royalties) is taxed to the extent that it is deemed to be derived from US sources. Non-ECI is taxed as gross income, (ie no deductions are allowed), generally at a flat rate of 30%, but if the non-resident alien is resident in a country with which the US has a tax treaty, a lower rate may apply.

Relief from double taxation

The US has an extensive income tax treaty network.

Relief for foreign taxes

Resident aliens are also allowed either a deduction or credit against US income tax for qualified income taxes paid or accrued during the tax year to any foreign country or US possession. In determining the amount of the foreign tax credit allowed, the taxpayer is subject to an overall limitation that prevents them from taking a foreign tax credit against the portion of US tax liability associated with US-source income. Essentially, the foreign tax credit is limited to the portion of US income tax related to foreign-source income (income associated with services performed outside of the US).

Taxpayers who are unable to utilise the full amount of foreign taxes available for credit due to limitation, will carry back unused foreign taxes one year then carry forward for up to ten years.

Deductions against income

As a US resident, a number of deductions may be taken against gross income to arrive at an individual's taxable income. Unlike non-resident aliens, who have limited deductions, a US resident has the option of claiming either their total 'itemised' deductions, or a standard deduction if it is greater. The standard deduction is set by statute and varies according to an individual's filing status. It is also adjusted yearly for inflation. The standard deduction amounts for 2013 are as follows:

- single – \$6,100
- married filing jointly – \$12,200
- married filing separately – \$6,100
- head of household – \$8,950.

Some examples of non-business expenses that can be claimed as 'itemised' deductions include: state and local taxes, real and personal property taxes, interest on home mortgages (with restrictions), and contributions of cash or property to US charities, up to statutory limitations. In addition, residents may deduct personal exemptions for themselves, a spouse, and any qualified dependent. The amount of the exemption is set by statute and adjusted each year for inflation. The personal exemption amount for the 2013 tax year is \$3,900.

Personal exemptions and itemised deductions are subject to phase out for certain high income taxpayers.

What taxes?

Capital gains tax

Capital gains from the sale of investment assets held for less than 12 months are generally taxed at the taxpayer's ordinary income tax rates. Long term capital gains (sale of investment assets) held for more than 12 months are taxed at 20%, 15%, or 0% depending on the ordinary tax rate that would otherwise apply if the gain were taxed as ordinary income.

Sale of a principle residence

Taxpayers may exclude up to US \$250,000 (US \$500,000 for married filing jointly) in capital gain on the sale of a personal residence, if certain conditions are met. Gain in excess of the exclusion is taxed at capital gains rates.

Inheritance, estate and gift taxes

Residency rules for estate and gift taxes differ from the rules for income taxes. Estate and gift taxes apply to foreign nationals who are domiciled in the US, or have certain types of property in the US. Obtaining a green card is evidence of domicile, but the substantial presence test does not apply to these transfer taxes. Non-residents are only subject to tax on US situs assets as defined by law, regulation and administrative interpretation.

Investment income

Generally, investment income such as interest, rents, and royalties received by a resident of the US is taxed as ordinary income regardless of source. However, qualifying dividend income is generally taxed at 15% (or at the taxpayer's marginal rate if it is lower), with some exceptions.

Local taxes – state and local taxes

Most states in the US, and many cities and towns, levy a separate income tax on individuals. The method that each state uses in determining tax liabilities varies, as do tax rates, extension procedures, residency rules and the availability of foreign tax credits.

Real estate tax

Real estate (property) taxes are generally assessed at the local level and are paid on property not connected with a trade or business or on property held for the production of rents or royalties. It may be deductible at the federal level by tax residents if deductions are itemised.

Social security taxes

As a general rule, the Federal Insurance Contributions Act (FICA) imposes US social security and Medicare tax on all compensation received for services performed within the US, regardless of citizenship or residence of the employee or employer, the number of days worked, or the amount of wages earned. Certain non-resident aliens, however, may be exempt from FICA tax based on the type of visa they hold.

FICA requires matching contributions from the employer and the employee for both Medicare and US social security (also called old age, survivors, and disability insurance, or OASDI). The OASDI rate is generally 6.2%. OASDI is imposed up to a wage cap that is adjusted for inflation each year and is \$113,700 in 2013. The maximum OASDI tax in 2013 will be \$7,049.40 for employees. The Medicare tax rate is 1.45% for both the employer and the employee and it is not capped.

A foreign national employed in the US may be subject to the social security laws of both the US and their home country. Totalisation agreements are designed to alleviate this double taxation by allowing the foreign national to be covered under only their home social security system for a period of time. The US has an extensive network of totalisation agreements and each specific country agreement should be reviewed to determine the social security system that claims coverage as well as the duration of the exemption.

The new 3.8% Medicare tax on net investment income and additional 0.9% Medicare tax on high income wages are effective for calendar 2013.

Wealth tax

There is no wealth tax in the US.

Other specific taxes

The so called 'exit tax' imposed on US citizens giving up citizenship and long term residents surrendering green cards (IRC Section 877A), is an income tax imposed on certain unrealised gains. Impacted individuals should seek tax advice before departing the US.

Foreign asset reporting

The US has far reaching reporting requirements for citizens and residents holding assets located outside the US. Penalties for not reporting or under reporting of these assets are prohibitive and anyone considering relocating to the US should be familiar with the rules.

- **Form 926** – Return by a US transferor of property to a foreign corporation.
- **Form 3520** – Annual return to report transactions with foreign trusts and receipt of certain foreign gifts.
- **Form 5471** – Information return of US persons with respect to certain foreign corporations.
- **Form 8854** – Initial and annual expatriation information statement.
- **Form 8621** – Information return by a shareholder of a passive foreign investment company or qualified electing fund.
- **Form 8865** – Return of US persons with respect to certain foreign partnerships.
- **Form 8938** – Statement of foreign financial assets.
- **FinCEN Form 114** – Report of foreign bank and financial accounts (supersedes TD F 90-22.1) which must be filed electronically in 2014.

Tax planning opportunities

There are planning techniques and exceptions to the substantial presence test and expatriation tax. The rules in these areas are complex and you should seek a competent tax advisor.

For further information on expatriate tax services in the United Kingdom please contact:

Linette Barclay
E linette.barclay@us.gt.com



Grant Thornton

An instinct for growth™

Uruguay

At Grant Thornton S.R.L. Uruguay, you will find a team of professionals specialized in counseling services for both expatriates working in Uruguay and the employers. Services consist of counseling prior to the arrival in Uruguay of individuals and/or companies, assistance in all formal acts for permanence in Uruguay, i.e. legal residence formalities, and all other formal steps to be taken by both individuals and entities.

We at Grant Thornton S.R.L. Uruguay, deem it very important to assist you in identifying and selecting strategies to develop activities in Uruguay and in reducing the time needed to comply with all formalities required by public agencies in Uruguay.

Facts and figures

Pre arrival procedures

There are no work restrictions for foreigners in our country. Foreigners must obtain legal residence in Uruguay and health certificate in order to be apt for work.

Citizens from the majority of the western countries have free access to our country and they do not need a visa.

To obtain legal residence, the individual shall present certain documentation, for example, birth certificate, clean record document, etc., and he should enter the country as a tourist in order to start performing all legal acts, for example the obtaining of a good health certificate until his presentation before Migration Authorities.

For the case of families, each member should apply for legal residence.

Legal residents may bring their personal belongings and those needed to furnish the house, tax-free. In order to enter those belongings, a transporting company should be retained in the country of origin, which together with a similar company in Uruguay will perform all corresponding acts before the Customs of each country. Motorized vehicles are forbidden.

Employment visas

Any person entering the country legally (even as a tourist) is able to apply for permanent residence and to start working immediately, even while the authorization is still pending (it takes approx. three months).

Tax returns and compliance

When a person starts working as dependent in a Uruguayan company, the employer is obliged to tell the public agencies, and to furnish all supplementary information requested by such agencies, so that the person may enter the Uruguayan Social Security System.

The employer is also obliged to withhold the personal monthly contributions and the corresponding Personal Income Tax on Residents (IRPF).



In case the employee has only one job in Uruguay and he does not receive other income whatsoever in Uruguay, no further information shall be necessary since the information furnished by the employer shall suffice.

In case the employee had more than just one job or had other income subject to income tax, the person would have to file an affidavit and annual settlement, and would have to make advance payments if applicable (depending on the income nature). The affidavit should be filed on a date to be determined by Tax Authorities (DGI), the year following the one the income was generated (usually between May and July).

Legally recognised marriages or concubines could opt to determine IRPF considering the income obtained by the couple considered jointly. Differential rate scales will apply on this case depending on the earnings of each member of the couple.

Lastly, it should be determined whether the person should pay General Property Tax (Impuesto al Patrimonio). There is a non-taxable minimum. If the person exceed such minimum it will be obliged to register and in such case an affidavit and tax settlement will have to be filed. Such affidavit must be filed in May, annually and payments in advance during the following fiscal year will be required.

Tax year

The tax year for individuals starts the very moment they obtain taxed income and it ends every December 31.

Income tax rates – Income arising from the work factor

In order to calculate the positive IRPF all incomes should be added and the following rates scale should be applied to such amount:

| Annual computable income from labour factor | Rate |
|--|----------|
| Up to non-taxable minimum of 84 BPC (\$203,028) (approx. US\$10,151) | Exempted |
| Over 84 BPC and up to 120 BPC (\$290,040) (approx. US\$14,502) | 10% |
| Over 120 BPC and up to 180 BPC (\$435,060) (approx. US\$21,753) | 15% |
| Over 180 and up to 600 BPC (\$1,450,200) (approx. US\$72,510) | 20% |
| Over 600 BPC and up to 1200 BPC (\$2,175,300) (approx. US\$108,765) | 22% |
| Over 900 BPC and up to 1.380 BPC (\$3.335.460) (approx. US\$166.773) | 25% |
| Over 1.380 BPC | 30% |

As we mentioned previously, legally marriages and concubines could opt to determine their IRPF considering the income generated by the couple jointly. If this alternative is chosen, different rates scales will apply considering the earnings of each member.

If the annual earnings of each member exceed 12 National Minimum Salaries (\$86.400) (approx. US\$4.320) the rates applicable will be the followings:

Over 168 BPC and up to 180 BPC (\$435.060) (approx. US\$21.753)

| Annual computable income from labour factor | Rate |
|---|----------|
| Up to non-taxable minimum of 168 BPC (\$ 406.056) (approx. US\$ 20.303) | Exempted |
| Over 168 BPC and up to 180 BPC (\$ 435.060) (approx. US\$ 21.753) | 15% |
| Over 180 and up to 600 BPC (\$ 1.450.200) (approx. US\$ 72.510) | 20% |
| Over 600 BPC and up to 900 BPC (\$ 2.175.300) (approx. US\$ 108.765) | 22% |
| Over 900 BPC and up to 1.380 BPC (\$3.335.460) (approx. US\$166.773) | 25% |
| Over 1.380 BPC | 30% |

If the annual earnings of one member of the couple does not exceed 12 National Minimum Salaries the rates applicable will be the followings:

| Annual computable income from labour factor | Rate |
|---|----------|
| Up to non-taxable minimum of 96 BPC (\$232.032) (approx. US\$11.601) | Exempted |
| Over 96 BPC and up to 144 BPC (\$348.048) (approx. US\$17.402) | 10% |
| Over 144 BPC and up to 180 BPC (\$435.060) (approx. US\$21.753) | 15% |
| Over 180 and up to 600 BPC (\$1.450.200) (approx. US\$72.510) | 20% |
| Over 600 BPC and up to 900 BPC (\$2.175.300) (approx. US\$108.765) | 22% |
| Over 900 BPC and up to 1.380 BPC (\$3.335.460) (approx. US\$166.773) | 25% |
| Over 1.380 BPC | 30% |

Basis of taxation

Charge to tax

The application of income tax on individuals will depend on whether the individual fits in the definition of fiscal resident or he is considered a non-fiscal resident.

A Uruguayan legal resident may be a non-resident from the fiscal point of view. Below we detail the conditions to be met for an individual to be considered fiscal resident in Uruguay.

Income obtained by non-fiscal residents is taxed by Income Tax on Non-Residents (IRNR) and fiscal residents are taxed by Income Tax on Residents (IRPF).

Both taxes are calculated in the same way and at the same rates for the case of income arising from capital factor, but this is not the case for income arising from work factor. In the case of IRPF, deductions are allowed and the tax to be paid is calculated according to progressive rates depending on annual incomes. On the other hand, non-residents will pay at a 12% rate (deductions are not allowed).

Note that income taxed by IRPF is in general the one obtained from activities developed, assets located or rights economically used in the Uruguayan territory. Our country used to consider the source criteria both for the income tax and for contributions to Social Security.

However, since January 2011 the criteria of the source changed for IRPF and the following is also taxed:

- i. income derived from capital gains derived from deposits, loans or any kind of collocation or credit, obtained abroad by fiscal residents in Uruguay
- ii. income derived from activities developed abroad by dependent workers, if such activities are rendered to an income tax on economical activities (IRAE) taxpayer or an IRPF taxpayer
- iii. income derived from technical services rendered by non dependant workers, from abroad to local Uruguayan income taxpayers in case there are related to obtaining income levied by IRAE. Technical services shall be those rendered in all kinds of management, technical, administration, or advisory areas.

Residence

A person is considered to be tax resident in Uruguay when he meets any of the following conditions:

- the person stays over 183 days in the Uruguayan territory during a calendar year. Sporadic absences shall be taken into account unless the person provides evidence of tax residence in another country
- the economic activities or individual interests of the person be located in Uruguay, whether directly or indirectly.

It is presumed that the individual has his residence in Uruguay if his wife and children under age depending on him have permanent residence in Uruguay.

In order to determine if the person stays the 183 days in Uruguay, it will be considered all days in which the person has physical presence in the country, no matter the time of comings and goings. The days in which persons are in transit to third countries will no be computed.

Sporadic absences will be considered in the case they do not exceed 30 business days, unless the taxpayer demonstrate its fiscal residence in other country.

The fiscal residence in other country should be demonstrate by a certificate issued by the fiscal authority in such country.

It is understood that the economic activities or individual interests of a person are located in Uruguay, when it generates in Uruguay the highest volume of income that in the other or others countries.

The Tax Authority will be the one in charge of the issuance of certificates related to the fiscal residence in Uruguay.

Income from employment

In general, all labor income obtained by fiscal residents (whether under a dependent work relationship or otherwise), in cash or in kind, regular and extraordinary income, among others, are taxed by IRPF.

In case of severance compensation, only the sum exceeding the obligatory legal amount payable shall be taxed, as well as food items, vacation salary, extraordinary items, health coverage and any other type of income for personal activity.

Source of employment

Until 2010, the personal income tax used to be based on the source principle, in the sense that IRPF was applied on income derived from activities developed, assets located or rights economically used in Uruguay.

In the case of income derived from labor factor, the general rule in order to be taxed was that the income had to be obtained from an activity performed in Uruguay, regardless of the place the service contract was signed or the place of salary payment.

However, this has been changed since January 2011, as mentioned, and from that date onwards IRPF will apply over all income obtained by individuals as dependant employees of Uruguayan companies taxed by IRAE, disregarding if the individual worked in Uruguay or abroad.

Benefits (in kind)

All the income a person receives for his activity in Uruguay is taxed with IRPF. The employer is obliged to withhold this tax and then pay the public agencies, the same for the case of social security contributions.

In case of severance pay, only the amount exceeding the mandatory amount will be taxed. Unemployment insurance, sickness insurance, maternity subsidy and accident temporary indemnity are not included.

Expatriate concessions – Tax-Free Zone

At any time a Tax-Free Zone company may simultaneously employ Uruguayan or foreign staff (total foreign staff working at a Tax-Free Zone company may not exceed 25% of the payroll).

Foreigners may opt not to make contributions to social security. For this purpose, the companies shall provide a list with foreign staff names. Each foreign worker shall declare, individually and by means of an affidavit, that he wants to be excluded from social security regime

Foreigners who work in companies located in Tax-Free Zones may choose to be liable for IRPF or IRNR provided they have opted for not making contributions to Social Security in Uruguay.

Deductions against income

In case of labor income, contributions to the Social Welfare Office (BPS) and other social security funds when contributions are made, contributions to FONASA (Health Insurance Office), to the Labor Re-conversion Fund and the consideration allocated to the Solidarity Fund and the additional thereof may be deducted from the nominal salary.

An amount of 13 B.P.C. (Base of Contributions and Benefits) per child a year (currently, \$31,421 approx. US\$1,571) may be deducted as health expenses. This amount shall be doubled in the event of children of age or under age legally adjudged incapacitated, as well as upon serious disability.

Also amounts paid during the year in relations to mortgage loans installments for the purchase of permanent housing can be deducted, provided that the cost of the house does not exceed approximately US\$99,250. The deductible amount may not exceed 36 B.P.C annually (currently \$87,012 approx US\$4,350). The benefits applies from the year 2012 onwards.

In order to calculate the IRPF to be deducted (negative IRPF) all the expenses above mentioned should be added and the following rates scale should be applied to such amount:

| Deduction Amount | Rate |
|---|------|
| Up to non-taxable minimum of 36 BPC (\$ 87,012) (approx. US\$4,351) | 10% |
| Over 36 BPC and up to 96 BPC (\$ 232,032) (approx. US\$11,602) | 15% |
| Over 96 BPC and up to 516 BPC (\$247,172) (approx. US\$62,359) | 20% |
| Over 516 BPC and up to 816 BPC (\$1,972,272) (approx. US\$98,614) | 22% |
| Over 816 BPC and up to 1.296 BPC (\$3,132,432) (approx. US\$156,622) | 25% |
| Over 1,296 BPC | 30% |

IRPF taxpayers shall make monthly advanced payments of the tax on account of the annual settlement. The foregoing scale of bands divided by 12 shall be taken into account for the monthly calculation.

In the case of dependent employee, the withholding is done in a monthly basis by the employer.

There are no other deductions when calculating income arising from the work factor taxed by IRPF beyond those previously mentioned.

Note that legally recognized marriages or concubines may opt to determine their IRPF by considering the incomes of both members of the couple jointly. In order to calculate the negative IRPF in such case, differential rate scales will apply.

If the annual earnings of each member exceed 12 National Minimum Salaries (\$86,400) (approx. US\$4,320) the rates applicable will be the following:

| Deduction Amount | Rate |
|--|------|
| Up to non-taxable minimum of 12 BPC (\$29,004) (approx. US\$1,451) | 15% |
| Over 12 BPC and up to 432 BPC (\$1,044,144) (approx. US\$52,207) | 20% |
| Over 432 BPC and up to 732 BPC (\$1,769,244) (approx. US\$88,462) | 22% |
| Over 732 BPC and up to 1,212 BPC (\$2,929,404) (approx. US\$146,470) | 25% |
| Over 1,212 BPC | 30% |

If the annual earnings of one member of the couple does not exceed 12 National Minimum Salaries the rates applicable will be the followings:

| Deduction Amount | Rate |
|--|------|
| Up to non-taxable minimum of 48 BPC (\$116,016) (approx. US\$5,800) | 10% |
| Over 48 BPC and up to 84 BPC (\$203,028) (approx. US\$10,151) | 15% |
| Over 84 BPC and up to 504 BPC (\$41,218,168) (approx. US\$60,908) | 20% |
| Over 504 BPC and up to 804 BPC (\$1,943,268) (approx. US\$97,163) | 22% |
| Over 804 BPC and up to 1,284 BPC (\$3,103,428) (approx. US\$155,171) | 25% |
| Over 1,284 BPC | 30% |

Other deductions or advance payments

A recent change in relation to the personal income tax (IRPF) admitted taxpayers that rent a building for permanent housing during the year, to deduct up to the 6% of the leasing price from the net tax to be paid, as an advance payment.

The Uruguayan Government is also now considering to extend this benefit to temporary leasing with tourist purpose.

What taxes?

Capital gains tax

Any return on capital generated in Uruguay, as well as capital gains generated in the country shall be taxed with IRPF at the 12% general rate.

Moreover, since January 2011, the taxable base of IRPF (income tax applicable to fiscal residents) was extended considering also as part of the taxable base those capital gains derived from deposits, loans or any kind of collocation or credit, obtained by fiscal residents abroad.

Without prejudice to the foregoing, there are differential rates in connection with certain deposits with finance institutions, the return on capital over negotiable notes under certain conditions, and the profits and dividends distributed by IRAE taxpayers (which may amount to 3%, 5% or 7%).

Indicative but not restrictive, income arising from the results of the holding and sale of public debt securities are exempted.

Inheritance, estate & gift taxes

Since the Estate Tax law was repealed in 1974, no taxes have been levied on inheritances and gifts.

Investment income

Income derived from Uruguayan source and obtained either by fiscal residents or non-residents is taxed by IRPF or IRNR respectively.

Local taxes

Some municipal taxes are worth mentioning: Real Estate Tax and Public Education Contribution, which apply to the owners of real estates located in any of the departments of Uruguay.

Since 2012 vehicles are taxed according to an estimated value for each vehicle established by all the municipalities together. This is a recent change made by the government given that before taxes on vehicles depended on the municipality where the vehicle was registered.

Real estate tax – Tax on Real Estate Transactions

This tax is applicable to the transactions of real estates, at a rate of 2% for the seller and 2% for the buyer. The taxable amount is an average of the real value (defined by the ‘Dirección Nacional de Catastro’) of the real estate of the previous five years.

Social security taxes

Both employer and employee must make contributions. The employer is obliged to withhold the employees’ contributions.

i. Employer’s Contributions

There are three kinds of contributions to be paid by employers:

- a contribution intended to finance the state system of social security in general (consisting of pensions, retirement allowances, unemployment benefits, family allowances, maternity benefits, funeral expenses, etc.) at a rate of 7.5%. This rate will apply over the total amount received by the employee, with a maximum taxable amount of approx. US\$4,210
- a contribution intended to specifically finance workers’ sickness insurance at a rate of 5%
- a tax charged on all compensations and benefits in cash or in kind received by workers at a rate of 0.125%.

ii. Withholdings to workers

Worker shall also pay the same contributions included under A) and the employer shall be bound to withhold and settle the corresponding amounts:

- general contribution to social security shall be 15% over the total amount received by the employee with a maximum taxable amount of US\$ 4.118. Specific contribution to sickness insurance shall be 3%, 4,5%, 6% or 8% (depending on; (i) the employee’s salary, (ii) the children in his custody and (iii) if the spouse is also included under this insurance)
- contribution to the labor reconversion fund shall be 0.125%
- in addition to these withholdings, the employer has been appointed as substitute accountable for the Income Tax on Residents described below.

Stock options

If stock options are granted to an individual who works for the organisation, and provided the benefit is real, not potential only, they are taxed by IRPF or IRNR depending on the individual’s fiscal residence.

This benefit should be added to the rest of the benefits the individual receives for the calculation of income tax.

Wealth tax

The net worth (or capital) tax is an annual tax calculated on December 31 by individuals, households and undivided estates. The net worth of taxpayers is property, assets and rights economically located, placed or used within the country.

The taxable amount is the difference between taxable assets and deductible liabilities. Assets and rights located, placed or economically used in Uruguay are computed for tax purposes.

As for the liabilities, only debts with Uruguayan banks are deductible. The total deductible liabilities are calculated as the difference between these liabilities and the assets located abroad or exempted assets.

The tax is applied (by scales and progressive rates) on the amount exceeding the non-taxable minimum (NTM). Said minimum is adjusted annually per the cost of living index (IPC). Currently it is approximately equivalent to US\$119,150 (double for households).

Public Debt instruments (Treasury Bonds, Treasury Bills, etc.) are not computed for the taxable amount.

Likewise not computed are shares or quotas issued by corporations (who pay this tax on the net worth of the issuing company), bonds or debentures, savings bonds and similar items subject to payment of this tax by way of withholding or substitution, and deposits in banking institutions (the deposits in banking institutions are computed solely for the purpose of calculating the fixed value for furniture and fixtures in dwellings).

The tax is applied to the amount exceeding the non-taxable minimum amount (NTM). Rates are applied by progressive scales beginning with the non-taxable minimum in a range from 0.7% to 1.6%:

- up to 1 NTM 0.7%
- from 1 NTM to 4 NTM 1.00%
- from 4 NTM to 6 NTM 1.50%
- more than 6 NTM 1.60%.

Tax planning opportunities

In order to develop an efficient tax planning, it will be necessary to have the relevant information regarding the activity to be performed in Uruguay. In that way tax burden is optimized for both the company and its employees.

You must bear in mind also that Uruguay has celebrated several Double Taxation Treatments that are yet in force with; Germany, Spain, France (only regarding information), Hungary, Liechtenstein, Mexico, Portugal and Switzerland and it is in the process of approval of new ones (i.e: Ecuador, India, Sweden) that may affect the tax treatment for expatriates. Hence, information about the fiscal residence of the employee could be relevant for tax planning either.

Finally, in Uruguay, some activities and some geographical areas have special tax regimes. Please get in touch with our contact in Uruguay to obtain further details in this regard.

For further information on expatriate tax services in Uruguay please contact:

Nicolás Juan
E njuan@gt.com.uy

Vietnam

Expatriates taking up employment in Vietnam will be subject to Vietnam taxes and work permit requirements. The liability to tax will be principally determined by their residency status and the source of the relevant income.

The expatriate tax team at Grant Thornton Vietnam can help expatriates and their employers to deal with Vietnamese tax and work permit matters. In particular, Grant Thornton Vietnam, can assist expatriates and their employers to identify Vietnamese tax planning opportunities, review tax equalisation policies as well as advising on administration issues such as personal income tax payment and filing.

Facts and figures

Pre arrival procedures

An expatriate who requires a work permit must apply for this before taking up employment in Vietnam.

Employment visas

Generally, all expatriates working in Vietnam must secure a work permit except those specifically exempted.

A 3% limit on the number of foreign expatriate working for Vietnamese enterprises has been removed.

If the expatriate's spouse and dependents also relocate to work in Vietnam, they will also be required to obtain work permits.

Tax year

For the first year of residence, the tax year is the first 12 months from the date of first arrival in Vietnam. For following years, the tax year will be the calendar year, i.e. 1 January to 31 December.

Tax returns and compliance

For salaries and wages, the tax procedures must be performed by the employer or its authorised tax agent following the withholding method.

Residents with income from overseas must register, declare, pay and finalise their tax liability directly at the local tax office.

Generally, personal income tax is required to be declared and paid monthly by the employer or by the employee declaring directly with the tax office and finalised on an annual basis.

The monthly declaration dossier must be submitted no later than the 20th day of the following month. The deadline for the submission of the annual tax finalisation dossier is the 90th day from the end of the calendar year.

In case of expiration of contract, the deadline for the submission of the tax finalisation dossier is the 45th day from the date of expiration.

In case of income subject to tax on each occasion the income arises, the tax must be paid not later than ten days from the date the income arose.



Income tax rates

Tax residents

| For wages and salaries of residents | | | |
|-------------------------------------|--|---|--------------|
| Tax grade | Accessible income per year (VND million) | Accessible income per month (VND million) | Tax rate (%) |
| 1 | Up to 60 | Up to 5 | 5 |
| 2 | Over 60 up to 120 | Over 5 up to 10 | 10 |
| 3 | Over 120 up to 216 | Over 10 up to 18 | 15 |
| 4 | Over 216 up to 384 | Over 18 up to 32 | 20 |
| 5 | Over 384 up to 624 | Over 32 up to 52 | 25 |
| 6 | Over 624 up to 960 | Over 52 up to 80 | 30 |
| 7 | Over 960 | Over 80 | 35 |

Personal and dependents deduction are available for residents.

Non-residents

Salaries and wages of non-residents shall be subject to tax at the rate of 20%.

Other types of income shall be subject to the following rates:

| Accessible income | Tax rate | Tax rate |
|--|-------------------|-----------------------|
| | for residents (%) | for non-residents (%) |
| a) Income from capital investments such as interests or dividends: | 5 | 5 |
| b) Income from royalties and franchises: | 5 | 5 |
| c) Income from winnings or prizes: | 10 | 10 |
| d) Income from inheritances and gifts: | 10 | 10 |
| e) Income from capital transfers | 20* or 0.1** | 0.1 |
| f) Income from real property transfers | 25 or 2*** | 2 |

* 20% tax on the capital gain applies for securities transfers if the taxpayer has registered this option by the end of the previous year with the local offices. Registration must be done each year.

**0.1% tax on the sale proceeds applies if the taxpayer has not registered to pay tax in accordance with the rate at 20%.

***2% applies if the purchase price cannot be determined.

Sample income tax calculation

| Exchange rate: | USD | VND |
|--|--------|-------------|
| USD1:VND21,000 | | |
| Total montly income | 10,500 | 220,500,000 |
| Taxable income | | |
| Salary (gross) | 7,500 | 157,500,000 |
| Bonus | 600 | 12,600,000 |
| Total taxable income (excluding housing allowance) | | 170,100,000 |
| Housing allowance (15% of taxable income) | 1,215 | 25,515,000 |
| Total taxable income (including housing allowance) | 9,315 | 195,615,000 |
| Deductions | | |
| Personal deduction | 190 | 9,000,000 |
| Dependants (2 kids under 18 years) | 152 | 7,200,000 |
| Compulsary insurance in home country | 600 | 12,600,000 |
| Total deduction | 942 | 19,800,000 |
| Non-taxable income | | |
| Tuition fee for kids | 300 | 6,300,000 |
| Housing allowance in excess of 15% | 285 | 5,985,000 |
| Assessable income | 8.373 | 175,815,000 |
| PIT payable per month (35% of AI less VND9.85M) | 2,461 | 51,685,250 |

Basis of taxation

Charge to tax

Vietnam imposes personal income tax on income depending on its source and the residence status of the individual:

- for residents, taxable income includes income from all sources (i.e. worldwide income)
- for non-resident expatriates, taxable income includes only Vietnam sourced income.

Residence

Generally, an individual will be treated as resident in Vietnam for tax purposes if they stay in Vietnam for 183 days or more in the period of 12 months from the date of initial arrival in Vietnam or having a regular residential location in Vietnam for which permanent residence has been registered.

Income from employment

An individual is liable to tax on income being salaries and wages which include allowances and subsidies, remuneration in most forms.

Source of employment

Generally, for Vietnam tax purposes, the source of employment income is where the services are rendered, regardless of where the remuneration is paid.

Relief or reductions under applicable tax treaties are possible.

Benefits (in kind)

Generally for Vietnam tax purposes, all wages, salaries and payments in cash or in kind in respect of employment exercised in Vietnam are taxable in full. The benefits in kind are required to be valued in monetary terms for tax calculation purposes.

Some of the rules for taxation for benefits in kind are as follows:

| Benefit | Taxable | Non-taxable |
|---|---|---|
| Housing rent paid by an employer on behalf of an employee | Rent actually paid but not to exceed fifteen per cent (15%) of the total taxable income (excluding such rent) | Rent paid in excess of the 15% limit |
| Expenses for a vehicle | If the vehicle is only used to transfer one individual at a time | If used to collect a collective of employees from their homes and bring them to work and vice versa |

Expatriate concessions

A non-resident individual is taxed only on his or her income sourced in Vietnam, i.e. his non-Vietnam income is not taxable.

Relief for foreign taxes

Resident expatriates deriving income from a treaty country and paying taxes therein may apply the treaty provisions on elimination of double taxation.

Deductions against income

The following deductions are allowed to residents:

1. personal deduction of VND 9 million per month; and dependent deduction of VND3.6 million per month per dependent
2. compulsory insurance premiums
3. charitable contributions subject to certain requirements.

Conversion of taxable income

If taxable income is received in foreign currency, then it must be converted into Vietnamese dong at the average trading exchange rate on the inter-bank foreign currency market as of the date when the income arose. Any type of foreign currency which does not have an exchange rate with the Vietnamese dong must first be converted into a type of foreign currency with such an exchange rate.

What taxes?

Capital gains tax

Capital gains from capital transfer by residents shall be subject to tax at 20%.

Inheritance, estate & gift taxes

Inheritance and gifts exceeding VND 10 million shall be subject to a 10% tax.

Investment income

Dividends and other investment income will be taxed at 5%.

Local taxes

There are no local (provincial) taxes imposed on the income of individuals in Vietnam.

Real estate tax

Generally, residents who make a transfer of real properties are subject to tax at 25% of net income or 2% of the selling price.

Social security taxes

Expatriates are not subject to social security taxes in Vietnam. However, mandatory health insurance payments are regulated.

Social and health insurance payments which are compulsory in the home country of the employee are non-taxable. However, supporting documentation should be submitted to the tax office in order to have the value of these insurance payments excluded from taxable income.

Stock options

Stock options are considered as a bonus given to employees by employers.

Wealth tax

There is currently no wealth tax in Vietnam.

Other specific taxes

Prizes in excess of VND 10 million are subject to 10% tax.

Income from copyright and franchising in excess of VND 10 million is subject to a 5% tax.

Tax planning opportunities

Basic tax planning for expatriates involves the structuring of employment arrangements to take advantage of non-taxable income (e.g. first year allowance; per diem; housing rental cost), income that is subject to lower tax rates and the residence status of the expatriates.

It should be emphasised that the residence status affects the personal income tax burden of an individual.

For further information on expatriate tax services in Vietnam, please contact:

Matthew Facey
E matthew.facey@vn.gt.com



www.gti.org

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