# UHY Global Tax Outlook – 2012

**January 2012**

*The network for doing business*

## II. UHY Global Tax Outlook – 2012

The following information is provided by UHY member firms regarding changes in tax rules for 2012 in their country, including those potentially impacting cross-border investors.

### Albania

The corporate tax rate remains at 10%. No significant changes in the tax environment are expected in 2012.

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### Argentina

The corporate income tax rate remains 35%. Corporate tax audits and inspections will likely increase to offset increased government spending. A tax amnesty or a more forgiving instalment plan may become available to taxpayers. Import duties on selected items may increase. Argentina will continue to execute information exchange treaties with countries having low or nil tax rates.

Contact: Roberto Macho, UHY Macho & Asociados, rmacho@uhy-macho.com

### Australia

Starting on 1 July 2012, a carbon tax will come into play and is seen as the precursor to an Emissions Trading Scheme commencing in 2015. Also starting on 1 July 2012 will be a new mineral resource rent tax (MRRT) which will apply to various mining projects in Australia. Levied at a rate of 30%, it will operate in tandem with state-based royalties for which a credit will be received. Changes are expected to the taxation of trusts and to the transfer pricing rules.

Contact: Michael Garrone, UHY Haines Norton, m.garrone@uhyhn.com.au

### Austria

The corporate income tax rate remains 25%. Payments to foreign persons exceeding €100,000 in a year for services must be reported by the end of February of the following year. The Austrian tax authorities may seek payment of tax in the recipient's country except in the case of foreign corporations paying more than 15% corporate income tax.

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## Azerbaijan

There are no changes in the Tax Code in Azerbaijan for 2012. The corporate income tax rate remains 20%. The standard rate of value added tax is 18%.

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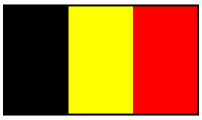
## Belgium



The corporate income tax rate remains at 33.99%, however small entities meeting certain conditions may qualify for a rate as low as 24.98%. The value added tax rate remains at 21%.

Contact: Chantal Bollen, UHY-CDP Partners, c.bollen@cdp-partners.be

## Brazil

The basic corporate income tax (IRPJ) remains at 15% with a surtax of 10% on taxable income exceeding BRL$240,000. An additional 9% is added for the social contribution tax. The industrial product tax (IPI) has been increased by 30 percentage points for certain vehicles.

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## Canada

Corporate income tax rates vary depending on the province but remain in the range of 14% to 19% for small corporations and 25% to 27% for large corporations. Consumption taxes (GST/HST) remain in the range of 12% to 15%, including an increase of 1% in Quebec for 2012.

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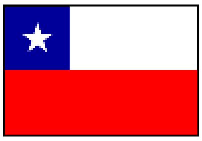
## Chile



In order to help rebuild portions of the country that were impacted by the earthquake in 2010, the corporate income tax rate has been increased from 17% for two years: to 20% for 2012 and to 18.5% for 2013. In 2014 it is scheduled to return to 17%.

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## Croatia

The corporate income tax rate remains 20% for 2012. The value added tax rate is 23% but changes are expected in the course of 2012.

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## Cyprus

The corporate income tax rate remains at 10% unless an exemption is available such as that for international business companies.

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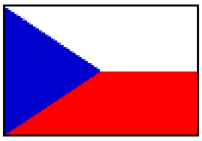
## Czech Republic



The corporate income tax rate remains 19%. For value added tax, a domestic reverse charge system on construction work was implemented. The reduced rate of value added tax increased from 10% to 14%. Large entities, bank and assurance companies, are now under the administration of a Specialized Financial Office. Considerable changes in cross-border mergers are awaited, but likely not applicable before 2013.

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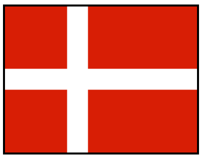
## Denmark



The corporate income tax rate remains 25%. New in 2012 is the possibility of payment of the tax value of losses for research and development companies. The payment can be up to 1.25 million DKK (equal to a loss of up to 5 million DKK). Several other changes are pending, including a possible reduction in the amount of losses/deficits that can be offset and a reduction in the amount of foreign taxes that may be used as a credit. Tax-favoured employee share schemes are terminated.

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## Ecuador

The corporate income tax rate has decreased from 24% in 2011 to 23% in 2012. Tax incentives for job creation are being offered as well as exemption from income tax for five years for qualified new investors. The tax on foreign exchange outflow has increased from 2% to 5%.

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## Egypt

For the period 1 July 2011 until 30 June 2012, the new tax rates for corporate income tax are 20% on net taxable income up to EGP 10M and for net taxable income in excess of EGP 10M the rate is 25%.

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## El Salvador

A decree containing tax reforms effective 1 January 2012 involves a number of modifications to the tax law, including: an increase from 25% to 30% for tax on legal entities with taxable income of more than USD 150,000; dividend withholding tax of 5% on profits attributable to 2011 and later years; creation of an annual alternative minimum tax payment equal to 1% of gross profit.

Contact: José Eduardo Amaya D., UHY AudiTax Chartered Accountants, jeamaya@auditaxs.com

## Estonia

The corporate and individual income tax rates remain at 21%. Changes have been made to rules governing reimbursement of lodging expenses incurred on business trips to make them tax exempt.

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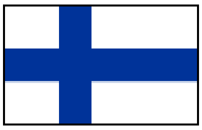
## Finland



The corporate income tax rate has decreased from 26% to 24.5%. The new tax rate applies to tax years ending on 1 January 2012 or later, i.e., tax year ending 31 December 2012 for calendar year-end companies. The value added tax rate remains 23%.

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## Germany

The effective corporate tax rate typically ranges between 30% and 33%, including a solidarity surcharge and a locally varying municipal trade tax. Pending a ruling by the European Court of Justice, the limitation on loss carry forwards will also apply to ailing companies in restructuring cases. For value added tax, new rules apply to intra-EU deliveries and require written proof of receipt to prevent the German seller from being liable for German value added tax. Requirements for electronic invoices have been relaxed.

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## Greece

The corporate income tax rate has been reduced for reporting results ending on 31 December 2011 (fiscal year 2012). Corporations must have their financial statements audited and the auditor is now obligated to issue a Tax Compliance Report in addition to the report on the audited financial statements.

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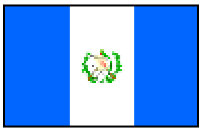
## Guatemala



Two options remain in place for corporate income tax: to be taxed at 31% on taxable income or at 5% on gross income. The value added tax remains at 12%.

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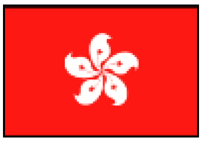
## Hong Kong



The current fiscal year of Hong Kong ends on 31 March 2012. Corporate profits tax is likely to remain at 16.5% on assessable profits. No significant changes are expected in 2012 or 2013. Hong Kong may do more to address any tax changes in the Mainland. Exchange of information on existing or potential taxpayers across the border may increase as a result of the Third Protocol to the tax treaty with China going into effect.

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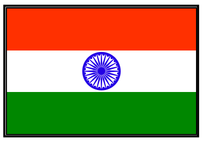
## India



The corporate income tax rate remains 32.45%. The present Income Tax Act is proposed to be replaced by the Direct Tax Code (DTC), but it does not appear that it would come into force before 1 April 2013. However, it is expected that some of the important provisions of the DTC (relating to GAAR, APA and Controlled Foreign Corporations, etc.) may find their way into the present law when the next Union Budget is presented in Parliament in March 2012.

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## Indonesia

A 25% flat rate of corporate income tax continues to apply since 2010. Public companies satisfying certain conditions are entitled to a tax discount of 5% resulting in an effective tax rate of 20%. Small enterprises (companies with annual turnover of not more than IDR 50 billion) are entitled to a tax discount of 50% off the standard rate, imposed rateably on taxable income of the portion of gross sales up to IDR 4.8 billion.

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## Ireland

The corporate tax rate remains at 12.5% for trading profits and 25% for non-trading profits. The exemption from corporation tax is extended for start-up companies whose taxable profits are less than €320,000 where certain conditions are met. The research and development tax credit will now allow a tax-free bonus to be paid to key R&D personnel. The standard rate of value added tax increased from 21% to 23% effective from 1 January 2012. An increase in the rate of capital gain tax from 25% to 30% was effective from 6 December 2011.

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## Isle of Man

The corporate income tax rate remains at 0% except for income a company receives from a banking business or from land and property in the Isle of Man, in which case the income tax rate is 10%. Value added tax remains in line with that of the UK with the standard rate being 20%. Currently the Isle of Man has signed five double taxation agreements and 25 tax information exchange agreements. The numbers of these agreements are expected to increase further through 2012.

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## Israel

Tax reform in December 2011 included cancellation of the planned decrease in the corporate income tax rate. Instead, it was set at 25% while the top personal income tax rate has been increased to 48%.

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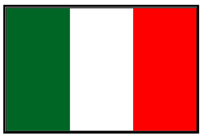
## Italy



The combined national and regional corporate income tax rate remains 31.4%. For newly formed companies, carry forward of tax losses incurred during the first three periods of operation can be used without limitation. Losses incurred during the fourth period may offset up to 80% of taxable income. Changes in company law may result in companies with losses being deemed non-operational, with implications for using value added tax credits. The standard rate of value added tax has increased from 20% to 21%.

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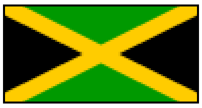
## Jamaica



Corporation tax and income tax remain the same. In keeping with a government initiative to simplify the filing of Annual Returns, as of 9 January 2012 all employers will be mandated to submit their returns for Tax Administration Jamaica (TAJ), the National Housing Trust (NHT) and the National Insurance Scheme (NIS) on a single Employer's Annual Return (S02) Form. The new deadline for filing Annual Returns is 31 March.

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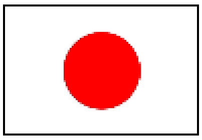
## Japan



Among a number of changes for the fiscal year from April, 2012, the effective corporate income tax rate decreases from 40.7% to 38.0%. Regarding decrease of 4.5% corporate tax based on taxable income, a special reconstruction tax of 10% corporate tax liability is being imposed for three years. The period for tax loss carry-forwards is extended from seven to nine years while deductible amount for large companies will be reduced from 100% of taxable income to 80%.

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## Kenya

The corporate income tax rate remains 30% but with increased emphasis on electronic tax filing and on transfer pricing. The 2011/2012 Finance Act has not yet been approved by Parliament. Rules covering withholding tax on deemed interest payments to non-residents may cause a resident company to bear the 15% tax and possibly 30% corporate tax on disallowed interest.

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## Latvia

The corporate income tax rate remains 15% and personal income tax at 25%. The standard rate of value added tax remains at 22%.

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## Lebanon

There are no changes regarding Lebanese taxation for year 2012. The corporate income tax rate remains 15%.

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## Lithuania

The corporate income tax rate is currently 15%, but small companies pay 5% (10 employees or less; total income over financial year less than 500.000 LT; shareholder(s) are not related parties in other companies). The effective rate of value added tax is expected to rise in 2012 to 22-23% from 21%.

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## Luxembourg

The corporate income tax rate remains at 22.05%, reflecting the increase in place since 2011. While there are discussions about possible further changes in the tax rules, they are not yet concrete. The basic rate of value added tax remains 15%.

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## Mauritius

The 10% Solidarity Tax on dividend and interest income, introduced last year, has been abolished, as has the Capital Gains Tax that was also introduced last year. The tax exemption for Freeport Companies has been extended indefinitely.

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## Mexico

The corporate income tax rate remains at 30%, as do the value added tax rates (16% general rate and 11% in border areas). Tax incentives continue to be offered for new job creation, primarily the commercial and transportation sectors. The main tax changes for 2012 include elimination of the vehicles tax and the definition of new requirements for issuing electronic and printed tax receipts.

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## Netherlands

Corporate income tax remains 20% up to income of €200,000 and 25% on income in excess of €200,000. The Netherlands – Oman Income Tax Treaty (2009) has entered into force and applies from 1 January 2012. New rules restrict the deduction of excessive interest for takeover holdings but only apply to cases where the fiscal unity between the acquiring company and the acquired company is formed (or, in case of an existing fiscal unity, expanded) after submission of this amendment.

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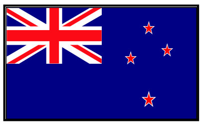
## New Zealand



The corporate income tax rate remains at 28% and the top personal marginal tax rate remains at 33%. There are no significant changes to the tax rules for 2012.

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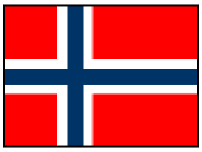
## Poland



There are no major differences in taxation compared to 2011. Corporate income tax rate remains at 19% and personal income tax rates are 18% or 32%. Employer's share of social insurance has increased for 2012 to approximately 20.48% of an employee's gross salary. The value added tax rate remains 23%.

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## Portugal

The corporate income tax rate of 12.5%, applicable to taxable profits equal or below €12,500, has been revoked, such that the standard rate of 25% applies to all companies, including those in the Madeira Autonomous Region. The period during which tax losses may be carried over has been extended from four to five years, limited to 75% of the taxable profit assessed in the relevant fiscal year. Withholding tax on investment income has been increased to 25%.

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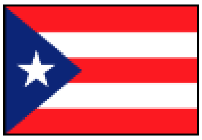
## Puerto Rico



A new Internal Revenue Code was approved in 2011 providing tax reduction and benefits for individuals and corporations. The new corporate tax rate was decreased substantially from 39% to 20% for taxable income less than $750,000, 25% for taxable income over $750,000 and less than $2,500,000, and 30% for taxable income over $2,500,000. A new Green Energy Act provides a 4% maximum tax rate and other incentives for businesses engaged in the production, installation and sale of green energy.

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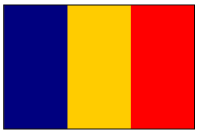
## Romania



The corporate tax on profit remains at the rate of 16%. For 2012, new limitations have gone into effect for both the tax on profit and for the value added tax with respect to vehicles used exclusively for passenger transport. Foreign partnerships carrying out activities in Romania will be subject to the tax on profit even if they lack a separate legal personality.

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## Russia

The only significant change in tax rates is in social fund contribution rates. In 2012 general rates are: 30% for annual income less than 512,000 Rubles; 10% for annual income exceeding 512,000 Rubles. New transfer pricing rules take effect for 2012.

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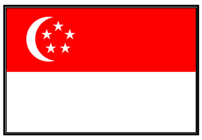
## Singapore



Companies continue to enjoy the partial tax exemption scheme and the tax exemption scheme for new start-up companies. The corporate income tax rate remains at 17%. The personal income tax rate structure has been changed. The transaction tax (GST) remains at 7% for standard rated supplies. More details about changes to the law in 2012 are expected in the budget statement in February 2012.

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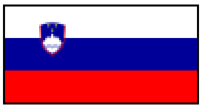
## Slovenia



The corporate tax rate remains at 20% and there have been no significant changes in tax legislation for the 2012 fiscal year.

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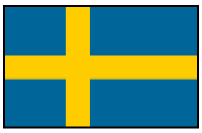
## Sweden



The corporate income tax rate remains 26.3%. Major changes to the tax rules are expected in 2013 and 2014. The standard rate of value added tax remains 25%.

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## Switzerland

Combined federal, cantonal, and communal ordinary corporate income tax rates remain between approximately 8.8% and 24% on pre-tax profits, depending on the nature and location of operations. Tax incentives and special tax regimes remain available. New for 2012 is a requirement to report capital contributions in 2011 financial statements and tax returns in order to repatriate capital tax-free. The Swiss Federal Tax Administration recently tightened its practice in respect of tax-free dividend distributions, requiring timely filing of all forms in order to avoid withholding.

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## Taiwan

No significant tax changes are expected in 2012. The corporate tax rate remains 17% for income in excess of TWD 120,000.

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## United Arab Emirates

There is still no general corporate income tax. While federal law permits it, in practice, only specific industries are taxed: oil and gas, foreign banks, courier and hospitality at rates specified by each ministry or authority in relation to each of the specific industries.

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## United Kingdom

The headline corporation tax rate reduced with effect from 1 April 2011 to 26% from 28%. On the same date, the rate applicable to companies with smaller profits also reduced to 20% from 21%. The headline rate will further reduce to 25% with effect from 1 April 2012 and it is intended for this to reduce to 24% with effect from 1 April 2013. The UK has introduced a foreign branch tax exemption which means that profits of an overseas branch of a UK company are no longer taxable in the UK. The controlled foreign company rules, which target UK parented groups with subsidiary operations in low-tax jurisdictions, have been eased during the year. The rate of VAT remains at 20%.

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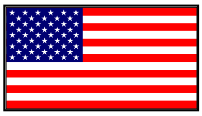
**United States**



The maximum federal income tax rate on corporations remains 35%, although some states also have an income tax. While a number of amendments to the federal tax law have been proposed, it is not clear whether any changes will be enacted in 2012. New reporting obligations with respect to foreign financial assets have gone into effect.

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**Venezuela**

The corporate income tax rates remain the same, with a maximum rate of 34%. The value added tax rate remains 12%.

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## Further taxation guidance

The *UHY Doing Business Guides* for each specific country in the UHY network includes a chapter on taxation. To download the *'Doing Business Guide'* for a specific country, go to http://www.uhy.com

## About UHY

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