INTERNATIONAL BUSINESS

April 2021

Auren International Business is a quarterly publication, made up of contributions from colleagues all around the world. The newsletter compiles country focus articles, international tax cases as well as technical updates on a variety of topics that impact business.

Experts in Auren have the knowledge and experience to help you on your journey, and this issue should be the starting point for your inquiries

Some of the features of this edition include:

The EU Trade Mark protection in the United Kingdom, International Accounting implementations in Lebanon and the importance of the small and medium practices in Uganda.

We hope you find the contents of this newsletter useful and informative. Happy reading!

Index

Facilitation of general shareholders' meetings under Belgian company law

Belgian companies faced severe difficulties and legal uncertainties when having to hold their general meeting of shareholders during the first months of the COVID-19 pandemic outburst. The legal requirements in terms of required quorum and physical presence set out in the Belgian Companies and Associations Code (CAC) were not apt for the job.

To overcome these legal hurdles, the Belgian legislator implemented a temporary legal framework giving Belgian companies and associations more flexibility in the organization of their general meeting.

Recently, by Law of 20 December 2020, the legislator implemented another set of facilitating measures in that regard for the Belgian corporate models of the NV, BV and CV as well as for the Belgian (inter)national non - profit associations (i.e. (I)VZW), entering into force on 24 December 2020.

First measure: extending the scope of application of written general meetings to the (I)VZW.

The possibility to hold written general meetings, which already existed for the NV and BV, has now been extended to the (I)VZW.

A written general meeting can only be held in case all participants agree (i.e. in case of unanimity), and at such written meeting whatever decision can be taken except for amendments to the articles of association.

Second measure: introduction of a remote general meeting at the discretion of the governing body.

Already at the inception of the COVID-19 pandemic, the legislator introduced the possibility to hold shareholders meetings remotely, at least for the BV and NV; also this option has now been extended to the (I)VZW.

Furthermore, it is no longer required that the articles of association expressly provide for the option to hold the general meeting remotely, thus by electronic means of communication, for a company or association to follow that route. Indeed, the (board of) directors can freely decide to hold the general meeting remotely, even in the absence of an explicit authorization to that end in the articles of association.

The option to hold the general meeting remotely is open to the governing body of all Belgian companies (listed or not) and non - profit associations.

What legal requirements apply when holding the shareholders meeting remotely?

The electronic means of communication set in place must enable the governing body to verify the identity and capacity of the participants. Also, the latter must be able to follow and participate in real time, including when exercising their voting rights. Video- and teleconference applications such as Teams and Skype are therefore regularly used.

Technical issues that arise during the meeting, if any, must be clearly noted in the minutes of the meeting.

Further, the modus operandi of participating remotely must be set out and described in the convocation notice. Also, if the company or association has a website, the latter should contain a link to the said procedure.

Finally, unlike the "ordinary" members of the general meeting (i.e. "ordinary" shareholders, directors and statutory auditors), the members of the "bureau" (i.e. the key members of the general meeting such as the chairman and secretary) cannot participate remotely. They must thus always be physically present in the shareholders meeting.

In sum, the newly introduced set of legal measures offers more flexibility to the governing body of Belgian companies and associations when organizing and holding general meetings in time of the COVID-19 crisis, albeit at the same time entail quite some new technical requirements and formalities for the directors to respect and implement.

Pieter Van Mulders
Pieter.VanMulders@degroote-deman.be
Belgium

Restriction on the distribution of dividends for Public Limited Companies that benefit from state benefits

Context:

Some time has passed since the beginning of the COVID-19 pandemic, which has hit the entire world without discrimination, with various measures adopted by the different governments of each country to face this situation.

Different measures have been adopted by the Government of Chile to reduce unemployment rates in the country, such as the fact that the Law allows the employer to suspend or reduce the employment contract that binds them with their workers, without prejudice to the fact that a% of the worker's compensation continues to be paid by the Unemployment Fund Manager (AFC), so it is not completely unprotected.

However, the regulations do not look favorably on employers who choose to suspend or reduce labor contracts for their workers, since the reform of the Employment Protection Law, or Law 21.232, introduces a new restriction for those companies that have suspended or reduced contracts with their workers.

Impossibility of withdrawing dividends from a Public Limited Company:

New Article 30 of Law 21,232: It makes it impossible to distribute dividends for shareholders of a Public Limited Company which maintains a suspended or reduced employment contract:

- Entities to which the prohibition is applicable: The prohibition affects all public limited companies, open or closed, that have accepted or are benefiting from the Employment Protection Law and, likewise, extends its application to all public limited companies belonging to a business group, in which any of the entities that are part of the same group (regardless of the legal nature of the latter) has accepted Law No. 21.227.
- Class of dividends affected by the prohibition (example): the public limited companies to which the aforementioned prohibition applies, may not distribute any dividend, whether it is eventual dividends charged to profits prior to 2020, dividends with charged to profits for fiscal year 2020 and interim dividends charged to fiscal year 2021.

As can be seen, while the suspension or reduction of the employment contract with an employee of the Corporation lasts, the latter may not distribute dividends to its shareholders. The restriction is applicable if at least one employment contract is suspended or reduced.

Javier Molina
javier.molina@slc.auren.com
Chile

Registration of Beneficiaries of companies in Cyprus

As per the 5th European Directive of the European Parliament, which should be included into the national legislation of each country, all companies/legal entities must declare their beneficial owners. Any physical person in a company that holds more than 25% of beneficial interest, needs to be reported to the public registry of beneficiaries and/or legal entities. The Registry will be open to the public where the name as well as other data will be available.

On the 16th of December 2020, the council of Ministers decided the below, based on the proposal of the "Advisory Authority for Combating Money Laundering and Terrorist Financing",

1. The Registrar of Companies and Official Recipient, of the Ministry of Energy, Trade and Industry is appointed, as the competent authority for the maintenance of the central Register of Beneficiary companies and other legal entities and
2. The registrar will be authorized to collect information about the beneficiaries of companies and other legal entities through the system intermediate solution that has been developed.

The Companies Registrar Department has announced that the start date of data collection for companies is set for Monday, 22.02.2021. A system will be developed for the registration and a period of 6 months (ie until 23/8/2021) will be granted in order to submit all the information concerning the beneficiaries of their legal entity. Only the competent authorities will have access to this system and always upon request to the Registrar of Companies.

All collected information, will be transferred to another system that will be developed at a later stage in 2021 and will be based on the provisions of the 5th European Directive (EU 2018/843) of the European Parliament and of the Council of 30 May 2018 concerning the prevention of money laundering and terrorist financing.

The data that will be required for the Beneficiary will include, name, nationality, place of birth, residential address, passport number and date of issuance and expiry, also the reason why the individual is classified as a UBO and the date on which the person was appointed as UBO or ceased to be a UBO. All clients will need to provide all updated information of the Ultimate Beneficial owner to the service provider and in case of any changes to be informed and proceed with inputting this data in the Registrar of companies.

Andri Christodoulou
andri.christodoulou@zathea.com.cy
Cyprus

ZATHEA-ZOE QUALITY SERVICES

Member of Antea Alliance of independent firms

Micro Business Tax Regime

On December 31, 2019, the "Microenterprise Tax Regime" was implemented in Ecuador, to promote and simplify the procedures in front of the tax administration, by small businesses and, in turn, to increase collection by microentrepreneurs in the country. However, the results it obtained from the income generated in 2020 tell another story, in which it did not help but did harm the small businesses that were affected by the current crisis.

This regime compulsorily includes all taxpayers residing in Ecuador who have a gross income of less than $ 300,000.00, except for exceptions, which will appear in a cadastre for that purpose. Individuals, natural or legal, who are in the regime are applied 2% changes concerning the general regime, that is Less formal duties in front of the administration; and, most importantly, they will be charged an income tax rate of 2% on gross income, that is, there is no deductibility for this regime.

This regime was created for an economic projection before the present crisis, with the expectation of economic growth for the country; and it was touted as a tax aid for the entrepreneur, but it turned out to be the opposite. The problem lies in the obligation since the micro-entrepreneur must necessarily pay income tax on 2% of their gross income.

At first, 2% may sound low and even beneficial, but this is only a reality if the individual's earnings exceed 2% of his or her income. In the current crisis, especially the microentrepreneurs, they did not obtain profits, but losses and, despite that, they will still have to pay a debt for income tax, since it is calculated on gross income and without deductions.

A regime that was designed to help the small entrepreneur can become the last link in their ruin since it is one more debt to pay during the crisis. This situation could have been foreseen employing a deductible amount or the possibility of denying said regime. This microenterprise regime remains as a precedent of how tax law should be legislated; not only thinking of the collection for the State but the taxpayer.

Javier Bustos
javier.bustos@abcglobal.tax
Ecuador

ADVICE, BUSINESS, CONSULTING

Member of Antea Alliance of independent firms

Tax issues on short term lettings (RBNB)

Several tax issues are arising having to do with income taxation and eventuall, VAT issues.

Please understand that this information is indicative. There are various solutions that a potential investor may follow in order to invest in this sector.

The term: "RBNB " is used for that kind of business operated solely through a digital platform. Any other letting signed privately are considered either as common lettings, or Business activities (if they are escorted by collateral services)

The Entrepreneur must be enlisted in the so called "Special short term accommodation Archive ".

The Income from real estate is taxed if the entrepreneur is a private person (not a company):

Till 12.000 euros 15 % -from 12.001 to 35.000 35%. Over 35.000 45%

In case that the entrepreneur is a legal entity, The profits are taxed with the normal corporate tax rate (currently 24%)

The payment of the relevant income tax usually is one month later (July) . The above mentioned deadlines may change every year according to various reasons (this year due to corona virus threat).

V.A.T: RBNB lettings are Not subjected in to the VAT tax.

The Administrator must state every real estate he possesses in the above mentioned platform (of course he must heve a Greek vat number in any case (possessing a real estate or activation to the platform) Third country citizens must have a local residence permit

He must announce the details of every accommodation until the 20th of next month and a quarterly clearance of the real estate.

The capital taxes in Greece are the real estate transfer tax. This is by 3% on the value of the real estate.

Uniform real estate property tax (ENFIA):

This tax is tax is calculated by multiplying the building's square meters to 2 – 13 € /sq and other coefficients affecting the value of the property e.g. location, use, floor of the property.

Konstantinos Sakkas
kostas.sakkas@eurofast.eu
Greece

Eurofast
Since 1978

Member of Antea Alliance of independent firms

Digital Green Certificate – pass to freedom?

Article 21 of the Treaty on the Functioning of the European Union (TFEU) declares one of the most important rights of the European citizen, namely the right to free movement. Legislative works have resulted in the Schengen Convention, providing free movement within the European Union, allowing the citizens from different EU countries easy passage on borders. However, COVID-19 and the unexpected consequences eventually led up to the clear restriction and violation of this right. Governments and the EU faced the challenges of the unknown, doing their best to put a stop to this pandemic. The hard work and dedication of the researchers has paid off, and now thousands of healthcare workers work on vaccinating the people, state by state, that may bring an end to this pandemic.

As a result of the vaccine, and to try and ease the undeniable tension, the European Commission has proposed an integrated system, where in collaboration with the Member States the citizens of the EU would be categorized into three departments. The first are the Europeans, who have been vaccinated; the second are the ones who tested negative for Covid-19; and the third category include people who have been infected with Covid-19, and have successfully recovered from it. All three categories would receive a so called Digital Green Certificate, which would enable them to practice their right to free movement within the EU. The ultimate goal of the certificate is to provide a safe and free movement for the Europeans during the pandemic; not only for those who got vaccinated, but also the ones who still have not had the opportunity to get the vaccine (for medical reasons, or they are not part of the target group of the currently recommended); or do not wish to be vaccinated.

The Digital Green Certificate is free, and the Member State shall provide it in either a digital format, or on paper. One may rightfully worry about data protection and data handling in relation with the Certificate. The proposal relies on the handling of personal data and health data, both which are known to be sensitive information of a person. The proposed regulation does not require a derogation from the current EU data protection regulations and Member States must apply clear rules, conditions and assurance in accordance with EU data protection provisions. The proposed regulation does not create a European database for vaccination, testing or cure against Covid19. For the purposes of the proposed regulation, personal data should only be included in the issued card, which should be protected against forgery or tampering.

According to the proposal, the card will contain only the most necessary details, including the name and date of birth of the person, the date of issue of the card, relevant information on vaccination / test / recovery, and the unique identification number of the card. The card will also have a QR code, unique to each card. To avoid the issue of discrimination, Member States will continue to be able to decide which public health restrictions, such as testing or quarantine, should be waived for travelers who can prove their protection against the virus, but they should also apply these exemptions to travelers holding a digital green card. The proposal and the there stated is to be limited to vaccines authorized in the EU, but individual Member States may decide to accept other vaccines as well.

Digital Green Certificate will be valid in the European Union, furthermore Iceland, Liechtenstein, Norway and Switzerland also have the opportunity to join. However, it is imperative to note, that Digital Green Card will not be a condition for free movement. In order for the system to operate before summer, the European Parliament and the Council must adopt the Commission's proposal as soon as possible. In parallel, Member States need to implement the framework and technical standards for the eHealth Network (a voluntary network linking national eHealth authorities) to ensure timely introduction, interoperability and the protection of personal data in digital green cards.

Réka Ipacs
reka.ipacs@gfplegal.com
Hungary

Place of Effective Management (POEM)

1. What is POEM?

Place of effective management (POEM) is a recognised test for determination of residence in India of a company incorporated in a foreign jurisdiction. The POEM concept is one of substance over form. An entity may have more than one place of management, but it can have only one place of effective management at any point of time.

"Place of effective management" is defined in the Income tax act, 1961 to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance, made.

Provisions in the Indian Income tax Act, 1961 w.r.t Place of effective management (POEM) comes into force w.e.f 1st April 2016 (Assessment year 2017-18).

2. How to Determine Place of Effective Management?

There are certain guidelines which are laid down by the authorities for determination of POEM based on the bifurcation of companies engaged in 'active business outside India (ABOI)' and other companies.

Place of effective management in case of a company engaged in active business outside India shall be presumed to be outside India if the majority meetings of the board of directors of the company are held outside India.

2.1. Computational aspects for the determination of 'active business outside India (ABOI)' test: -

a) A company is said to be engaged in "active business outside India" if the passive income is not more than 50% of its total income; and

- less than 50% of its total assets are situated in India; and
- less than 50% of total number of employees are situated in India or are resident in India; and
- the payroll expenses incurred on such employees is less than 50% of its total payroll expenditure.

Note: For the aforesaid purpose, -

The income shall be, -

- as computed for tax purpose in accordance with the laws of the country of incorporation; or
- as per books of account, where the laws of the country of incorporation does not require such a computation.

The value of assets, -

- In case of an individually depreciable asset, shall be the average of its value for tax purposes in the country of incorporation of the company at the beginning and at end of the previous year; and
- In case of pool of a fixed asset being treated as a block for depreciation, shall be the average of its value for tax purposes in the country of incorporation of the company at the beginning and at end of the year;
- In case of any other asset, shall be its value as per books of account;
- the number of employees shall be the average of the number of employees as at the beginning and at the end of the year and shall include persons, who though not employed directly by the company, perform tasks similar to those performed by the employees;
- the term "pay roll" shall include the cost of salaries, wages, bonus and all other employee compensation including related pension and social costs borne by the employer.

b) Passive income of a company shall be aggregate of, -

- income from the transactions where both the purchase and sale of goods is from / to its associated enterprises; and
- income by way of royalty, dividend, capital gains, interest or rental income;

However, any income by way of interest shall not be considered to be passive income in case of a company which is engaged in the business of banking or is a public financial institution, and its activities are regulated as such under the applicable laws of the country of incorporation.

3. What are the impacts of Place of effective management (POEM)?

Provisions related to place of effective management will impact on the following: -

- Global income of the foreign subsidiaries /Joint Ventures would be liable to tax in India and they will be liable for all tax compliances in India;
- Transaction of 'foreign subsidiary incorporated in India' with related foreign parties may be subject to Indian Transfer Pricing;

4. Exclusion from the applicability of POEM

Companies having turnover or gross receipts of INR 500 million or less in a financial year are exempted from the guidelines of POEM.

Sandeep Kaushik
sandeep.kaushik@valuecent.com
India

Valuecent

Member of Antea Alliance of independent firms

Benefits for foreign investors in Israel

The state of Israel encourages foreign investors, to invest in Israeli Startup companies, by offering Tax benefits.

Israeli startup companies are looking for a foreign investor that could provide, besides monetary assistance, a connection to potential business partners and a better option to penetrate the global market.

Tax benefits for foreign foregoing investors

Israel is known as a "startup nation", leading technology and High-tech country. There are hundreds of startup projects in Israel that waiting for their first investment. The Israeli Tax Authority encourages foreign investments because of the vast number of startups and the great business opportunity that could be created from an international collaboration.

Tax encouragement

The maximum amount of investment recognized for tax purposes is up to 5 million NIS. The benefit is provided for a business collaboration of individuals or for individual investor that investing in new companies as an investment channel, recognized as an expense that can be offset from the total sources of income (in that tax year for the benefit period). The condition is that all the requirements in law have been proved and the company recognized as a new company by the Israeli Innovation Authority.

How to start the investment?

First of all, there is a need to double check if the invested company signed as a "new company" and have all the approvals as defined in the Israeli law.

Afterwards, you should check if your investment is under the next basic criteria's:

1. The amount of the investment that allowed to an Individual investor, need to be up to 5 million NIS (in a business collaboration of individuals investors, the investment is examined for each investor separately).
2. The individual investor must hold the shares that have been given to him in return for his qualifying investment in the target company, or the new developing company, for the entire benefit period. The benefit period is defined in a period of 3 tax years, which begins in the tax year in which the amounts that are the qualifying investment were paid.

The Israeli startup business environment keeps developing, new startup companies are rapidly rising and give solutions to multiple problems existing in our world. The startup companies operating in Israel are a great business opportunity for investments.

Yaniv Angel
yaniv.angel@auren.co.il
Israel

The new italian plastic -tax

Italy's Budget Law for fiscal year 2020 confirmed the introduction of Plastic-tax, a proportional tax on manufactured products in plastic for single use (also called "MACSI"), aimed at reducing the production and consumption of plastic. The date of beginning of rules is fixed, for now, of 1th July 2021, waiting for at publishment of a directive from the Customs and Monopolies Agency to individuate the principal aspects of the plastic-tax.

The plastic-tax is applicated at the single-use plastic (c.d. MACSI) used to containment, protection, manipulation or delivery of goods or food products, destinated at the Italian consumption.

The MACSI are every devices, semi-finished products and pre-forms, realised totally or in part of plastic materials (included on the customs headings of the combined EU nomenclature) and not designed or placed on the market to carry out more than one transfer.

It is not included compostable MACSI, specific medical devices and MACSI used to contain or to protect medicinal preparations.

The taxable subjects are:

1. the manufacturer, for MACSI realised in the national territory.
2. the EU purchaser, with economic activity, for MACSI that come from by other EU countries;
3. the EU seller, if MACSI come from by other EU countries and bought by private consumers;
4. the importer, for MACSI come from other countries;
5. the seller, that want to sell MACSI at other Italian subjects, made on its behalf in production facilities of another entity.

In the case of subjectivity of the plastic tax for foreign subjects, not resident or not established in the Italian country, are required to appoint a tax representative, obligated jointly with the same.

The fulfilments of taxable subjects generally are: to present at the Customs and Monopolies Agency an initial communication called "technical report" for the attribution of an identification code; every quarter to present declaration and to pay the tax; to keep the daily or weekly accounts of MACSI and to issue the invoice with necessary data to calculate the plastic tax included in the total amount.

The importers are excluded from fulfilments above, with an exception about the payment of tax, that will to pay at the moment of importation with custom declaration.

The plastic tax is fixed in euro 0,45 for kilogram of plastic materials included in MACSI.

The tax obligation is at the moment of production, importation in the Italian territory or the introduction in the same territory from other EU countries.

The tax is paid with F24 model within the end of the following month at the quarterly declaration that was presented, moreover the tax can be pay with compensation of other credit tax or contributions.

If the amount of plastic tax is equal to or less than 25 euros, the taxable subject is exempt to pay this tax.

It is possible for taxable subjects to ask refund if the tax that they paid it was not due, the require of refund is presented within two years by the date of payment and the refund required could be in cash or tax voucher. Instead, the limit of the prescription to recover the credit required at refund is five years.

The unrespect of the dispositions listed above implicate the application of administrative penalties:

- in the case of unpayment of the tax is applied the penalties from double to five times of the tribute, anyway it is not ever less than 250 euro;
- in the case of late payment, the penalty will be at 25% of tax due, anyway it is not ever less than 150 euro;
- in the case of late submission of quarterly declaration and every other violation, is punished with penalty from euro 250 to euro 2.500.

Gianluca Zattera
gzattera@tributarioassociato.it
Italy

STUDIO TRIBUTARIO
BALDAZZI ZATTERA
& ASSOCIATI

Member of
Antea
Alliance of independent firms

Rep&War under Italian Law
Sales of Goods in the Italian Civil Code

The sale of goods in Italy is regulated by the Italian Civil Code (hereinafter, I.C.C), and it is usually completed through a contract by which a party, the vendor, is committed to transfer the property of something, under specific conditions and by a fixed date, to the purchaser.

Statutory provisions on the sale of goods do not make a distinction between B2B and B2C contracts. However, for B2C special provisions are set forth into a consolidated Act called "Codice del Consumo" (Consumer Code) a Legislative Decree, dated 6 September 2005 n.206 which came into force on 23 October 2005. It brings together and coordinates all existing consumer protection provisions, synthesising them into 146 articles (the number of articles has been increased to 170 since 2007 update).

Concerning B2B sales, the Civil Code does not require any specific written form for the contract validity: there is a principle of free-form, according to which any form used by the parties is valid and binding except for specific sales as per art. 1350 I.C.C. In any event the written form is strongly recommended.

The sales contract shall also provide for the delivery date and, if it is not a contextual sale, the parties shall also provide for the place of delivery. Pursuant to art. 1510 of the I.C.C., failing an express agreement between the parties delivery should occur at the locations of the goods and at the time of the sale; alternatively, it can occur where the vendor has its own domicile or company's headquarters.

The Italian Civil Code provides for different kinds of warranties, namely:

- a protection against material defects of the sold goods (according to articles 1490, 1492 I.C.C.);
- a protection against the lack of qualities (promised or essential) for the use the goods were intended (according to art. 1497 I.C.C.;
- a protection against malfunctioning of the sold goods (according to art.1512 I.C.C.)

In case of flaws or defects the buyer is entitled to either ask for a reduction of the price (accordingly to the reduced value of the goods), or for the termination of / withdrawal from the contract, in any case, he has the right to claim for compensation of suffered damages.

Condition precedent for such rights, is the duty of the buyer to notify the defects to the seller within an eight-day period from discovery and has to promote – under a statute of limitation rule - the claim within one year from the delivery date (according to art. 1495 I.C.C.).

When the goods lack of the promised qualities or of those essential, the buyer is entitled to ask for the termination of contract accordingly to the general provision for breach of contract, under the same lapse of time set under art. 1495 I.C.C..

In case of malfunctioning goods, the buyer may ask for the reparation or the substitution. The goods malfunctioning has to be reported within 30 days from discovery and the claim has to be stared within six months from discovery

Finally, in the event of total physical deprivation of the goods (the so called "evizione" – legal defects) due to an action from a third party, the vendor shall,

irrespective of its fault, compensate the purchaser for all expenses and damages incurred for the third party recovery of the goods.

Davide Guardamagna and Giulia Re
dguardamagna@gealex.eu
Italy

IFRS 17 "Insurance Contracts"

Objective

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Effective date

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 *Revenue from Contracts with Customers and IFRS 9 Financial Instruments* have also been applied.

Scope

An entity shall apply IFRS 17 *Insurance Contracts to:*

1. Insurance contracts, including reinsurance contracts, it issues;
2. Reinsurance contracts it holds; and
3. Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the standard, unless an entity chooses to apply to them IFRS 15 *Revenue from Contracts with Customers* and provided the following conditions are met:

- (a) the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;
- (b) the contract compensates the customer by providing a service, rather than by making cash payments to the customer; and
- (c) the insurance risk transferred by the contract arises primarily from the customer's use of services rather than from uncertainty over the cost of those services.

Separating components from an insurance contract

An insurance contract may contain one or more components that would be within the scope of another standard if they were separate contracts. For example, an insurance contract may include an investment component or a service component (or both).

Level of aggregation

IFRS 17 requires entities to identify *portfolios of insurance contracts*, which comprises contracts that are subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together.

Recognition

An entity shall recognize a group of insurance contracts it issues from the earliest of the following:

- (a) the beginning of the coverage period of the group of contracts;
- (b) the date when the first payment from a policyholder in the group becomes due; and
- (c) for a group of onerous contracts, when the group becomes onerous.

The implementation of IFRS 17 represents a challenge for insurance companies around the world since its need an investment in computerized system to be comply with IFRS 17 requirements, from another hand in some insurance products the implementation of IFRS 17 will lead to a negative impact of the financial statements such as net income and technical reserves.

Hazim Saleh
h.saleh@laurelwreath-jo.com
Jordan

IPSAS and Reforms

Some Arab countries, including Lebanon, are still working on preparing laws and programs to implement international accounting standards for the public sector and to adopt the principle of entitlement in public accounting, this matter is very important and contributes in controlling state properties and the fair and transparent presentation of financial statements.

Therefore, the professional entities dealing with accounting and auditing should urge the activation of work to implement international standards and cooperate with governments to achieve them.

IPSAS aims to improve the quality of general purpose financial reporting by public sector entities to increase transparency and accountability, IPSAS are accounting standards for application by governments.

Adoption by Arab Country:

- Algeria – World Bank project for accounting and other reform includes IPSAS.
- Morocco – Institution building includes IPSAS
- Abu Dhabi – Prepared 2010 financial statements in accordance with accrual accounting IPSAS for some departments and municipalities.
- Jordan – The Jordanian Council of Ministers has announced plans to adopt and fully implement the International Public Sector Accounting Standards
- Kuwait – The Ministry of Finance of the State of Kuwait has a project in place to implement accrual accounting IPSAS.
- Lebanon – Project in progress to introduce IPSAS.
- Saudi Arabia – The Ministry of Finance of the Kingdom of Saudi Arabia and the Saudi Audit Bureau commissioned a study starting 2008 to evaluate the Saudi government's current financial reporting and to analyze the improvements IPSAS might bring.
- United Arab Emirates – Process in place to adopt accrual basis IPSAS.
- Yemen – Process in place to adopt cash basis IPSAS

Benefits from adopting IPSASs:

- Improved governance: complete information on assets, liabilities, revenues and expense together with disclosures.
- Recognition of receivables and inventories leads to better asset management and enhanced resource-allocation decisions
- Recognizing the fair market value of assets and any impairments.
- More reliable estimates of liability
- Related party transactions of senior executives and key management personnel - assurance of integrity.
- Impairment test for assets are carried out at each reporting date.
- Comparative information become feasible with:
  - Budget amounts for the reporting period.
  - Previous period.
  - Peer entities.

Outcome:

That decision-making and accountability of public sector entities are improved and global fiscal stability and sustainability are enhanced by credible and transparent financial reporting that results from the adoption of accrual-based IPSASs.

Hatem R. Hatem
gm@hatemcpa.com
Lebanon

HATEM AUDIT FIRM
Certified Auditors & Tax Advisors

Member of
Antea
Alliance of independent firms

Why is Paraguay one of the most attractive countries in South America for investment?

Mercosur is a market of more than 260 million people and Paraguay aims to be a competitive platform for access to it, based on its differential attributes, such as:

1. macroeconomic stability,
2. low energy costs,
3. diverse and abundant natural resources,
4. high quality of life at reasonable cost,
5. young labor force and demographic bonus.

Paraguay offers favorable conditions, especially for multinational companies seeking to migrate to a 100% renewable energy matrix, since Paraguay is the world's second largest exporter of electricity and only 16% of the total generated is consumed locally, leaving a very significant surplus that can be used by these companies, as well as for the development of industrial clusters.

Paraguay is moving forward with a new roadmap for its development, which incorporates a productive transformation strategy based on strategic pillars such as:

1. strengthening institutional capacity,
2. continuous improvement of the business climate and debureaucratization,
3. improving the competitiveness of clusters,
4. value chains and strategic sectors, and,
5. financing and gross capital formation.

The recent agreements reached between Mercosur and the European Union and EFTA will give Paraguayan industry access to an integrated market of 814 million people, with bilateral trade of more than USD 107 billion per year. At the same time, negotiations continue with South Korea, Singapore and Canada, always seeking to expand foreign trade opportunities.

Paraguay, like all the economies of the world, is expected to suffer the effects of the economic crisis caused by the covid-19 pandemic, but the attributes mentioned at the beginning and the productive matrix of Paraguay make it a consistent country, producing what the world consumes now and, in the future, such as food, renewable energy, among others.

According to international analysts, Paraguay has a high resilience rate in the face of a difficult outlook worldwide, its strongest qualities being both the plentiful agricultural capacity and the wide range of renewable energy at low cost.

Finally, it is worth noting that Paraguay is just one step away from investment grade, a position it has managed to maintain despite the crisis. The most important rating agencies in the world kept Paraguay in this status thanks to:

1. solid growth in recent years,
2. the economic resilience it has demonstrated, despite external shocks (including the current one),
3. the credibility of its macroeconomic policy, which has a solid inflation targeting scheme, and,
4. low external debt.

Source: REDIEX. Agency under The Ministry of Industry and Trade

Enrique Acosta
enrique@consultoria.com.py
Paraguay

crs+sch
cáceres+schneider

Member of
ntea
Alliance of independent firms

Tax Report 2021

It’s official. Changes concerning income taxes will come into force starting from 1 January 2021.The majority of the changes entail new obligations for PIT and CIT taxpayers. Some of the changes can be viewed in a positive light, however, especially considering the current situation connected with the COVID-19 pandemic (e.g., in respect of TP obligations, deductibility of donations made for the purpose of combating COVID-19). Please find below an outline of the changes (divided into segments due to the sheer number of items) and feel free to contact us regarding issues which will directly affect your business.

Common solution for taxpayers (both natural persons and legal entities) in respect of donations made for the purpose of combating COVID-19. Taxpayers who make a donation to an authorized organization dedicated to combating COVID-19 by the end of the year will be able to deduct up to 200% of the donation amount from their tax base (in subsequent periods, 150% of the donation between January 1 and March 31, 2021 and 100% between April 1 and the end of the month in which the epidemic is called off.

Personal Income Tax (PIT)

An effective increase in taxation for partners in limited partnerships - for natural persons (partners in limited partnerships) this means that income earned from such a partnership will be treated as dividends and taxed at the 19% PIT rate. It is expected that limited partners will be provided with an exemption of up to 50% of the company's revenue, but not more than PLN 60,000 per year (once certain conditions have been met). For general partners, CIT paid by the company in proportion to the general partner's share in the company's profit is deducted from the dividend tax. Therefore, this change constitutes an effective taxation increase for partners due to tax being first applicable at the company level and subsequently to the partners themselves.

Withdrawal of the tax abolition relief - these regulations apply to Polish tax residents on short-term assignments abroad. Effective as of 1 January 2021, the tax abolition relief will be limited to PLN 1360, which basically means its complete withdrawal. The abolition relief is an additional tax deduction aimed at offsetting the tax consequences for taxpayers working abroad, regardless of whether a given contract provides for an exemption-with-progression method (more favourable) or a proportional deduction method (the so-called tax credit). From 2021 onwards, individuals posted to a country where the tax credit method is used will no longer be able to benefit from a full abolition relief and instead will be subject to the limit set out above. In 2021, these regulations will become applicable to, e.g., Norway, Belgium, Canada, Denmark, and Portugal. It is worth noting that Poland, under the MLI convention, aims to make a transition to the tax credit method for all its double taxation agreements.

More freelance/liberal professions with the option to apply tax on recorded revenue without deductible costs. Applicable rate lowered to 17% - Starting from 2021, more taxpayers will be able to apply tax on recorded revenue without deductible costs. The possibility to apply this form of taxation will be extended to additional professions, such as: psychologists, physiotherapists, lawyers, attorneys-at-law, architects, construction engineers, accountants, insurance agents, insurance brokers, tax advisers, securities brokers, investment advisers. The tax rate for freelance/liberal professions shall be lowered from 20% to 17%.What is more, the revenue limit for that form of taxation shall be increased to EUR 2 million. Taxpayers will have the option to apply tax on recorded revenue without deductible costs not only to revenues derived from private rental, but business rental as well.

PIT exemption for young people - the exemption from PIT for people under the age of 26 will also include income from post-graduate and student internships.

Corporate Income Tax (CIT)

Limited and general partnerships subject to Corporate Income Tax - starting from 2021, limited partnerships will become CIT taxpayers. The partners of a limited partnership may decide to apply the new regulations from 1 May 2021,and income earned before the date on which the partnership becomes a taxpayer will be taxed under the existing rules. It is expected that limited partners will be provided with an exemption of up to 50% of the company's revenue, but not more than PLN 60,000 per year (once certain conditions have been met). General partners will benefit from the possibility of deducting CIT paid by the company in proportion to the general partner's share in the company's profit.

Starting from 2021, general partnerships with undisclosed partners will become CIT taxpayers as well.

Estonian CIT -flat-rate tax on compUnder this solution, the income of a company is not

subject to CIT as long as the profit is not paid out of the company. The following conditions have to be jointly met:

- Revenue of a spółka z ograniczoną odpowiedzialnością or akcyjna (limited liability or joint-stock company) up to PLN 100 million per year,
- the company’s shareholders are natural persons only,
- the company has no shares in other entities,

- the company has at least 3 employees, excluding the shareholders,
- the company's passive income is lower than its operating income,
- the company incurs certain investment costs (excluding passenger cars and other assets used for personal purposes),
- when taxed under the Estonian CIT, it does not prepare a report in accordance with IAS as far as issuers of securities and companies where the parent company prepares a report in accordance with IAS are concerned

Taxation under the Estonian CIT covers a period of 4 fiscal years (it is extended for another 4 years, unless the taxpayer decides to opt out of this form of taxation by submitting a relevant notice).

The rates are 15% for small taxpayers and 25% for other taxpayers with the possibility of reducing them to, respectively, 10% and 20% assuming large investments costs have been incurred.

Spółka nieruchomościowa (real property company) - a real property company whose shares are being disposed of becomes a taxpayer starting from 2021 if (i) the disposing entity is a foreign entity (ii) the shares which are being disposed of amount to at least 5% of the voting rights in the company.

A real property company is a different entity than a natural person. The assets of such a company (at least 50%) constitute real property located in Poland, and their value exceeds PLN 10 million. If the company does not possess information regarding the transaction amount, it determines the tax at 19% of the market value of the disposed shares The taxpayer is obliged to transfer the tax advance amount to the tax remitter before the tax payment date.

Tax strategies reporting - tax capital groups and taxpayers with revenues over EUR 50 million will be required to make public on their websites information concerning their applied tax strategy. The report is to include such items as, e.g., information provided to the tax authorities on tax schemes, transactions with related entities above a certain threshold, planned and undertaken restructuring activities, information on submitted applications for general and individual tax rulings, tax settlements with tax havens. Failure to publish and report this fact to the tax authorities within a specified period of time may result in a fine of up to PLN 250 000,00.

Other changes include the following:

- revenue threshold for the application of the 9% CIT rate increased to EUR 2 million.
- exemptions from the so-called minimum tax (tax on revenue from buildings imposed at a rate of 0.035%) during the epidemic;
- limiting the possibility of recognizing losses when acquiring another entity, enterprise, or an organized part of an enterprise;
- tightening of transfer pricing regulations for transactions with entities based in countries applying harmful tax competition (so-called tax havens) or with entities having their beneficial owners located in tax havens (in this case, introduction of a documentation obligation for transactions whose value exceeds PLN 500,000 and introduction of a requirement to exercise due diligence when verifying the counterparty as well as a requirement to add a description of expected economic benefits for the transaction in the local documentation) - similar regulations are also introduced in the PIT Act
- the release of tangible assets of a company under liquidation shall be treated as its revenue (similarly as if they were being sold)
- limiting the possibility of changing the amount of the depreciation rate when the taxpayers use a CIT exemption in the period when they benefit from said exemption (in particular, this applies to entities operating in special economic zones and the Polish Investment Zone). The regulation concerns fixed assets and intangible assets entered into the relevant register after 31 December 2020.
- Improvements connected with signing statements and documenting transfer pricing adjustments as well as an extension of the documentation exemption for domestic transactions.

TP

TP statement - the statement on preparation of documentation and compliance of transactions with the arm's length principle submitted under penalty of criminal liability by the end of 2020 (for 2019) will not require the signature of the entire board.

The TP statement can be signed by:

1. a natural person - in the case of a related entity who is a natural person,
2. a person authorized by a foreign entrepreneur to represent him/her at the branch office - in the case of a related, foreign entity with a branch office located in the territory of the Republic of Poland,

3. a duly authorized person in the case of other related entities

- however, the statement cannot be submitted by an attorney-in-fact (proxy).

This provision will also apply in the future when a TP statement is submitted for a tax year or a financial year, or once a state of epidemic emergency in connection with COVID-19 has been in effect in the entire territory of the Republic of Poland.

Joanna Dębowska
joanna.debowska@tias.pl
Poland

VAT on electronic services

Since January 1, 2019, all foreign organizations that provide electronic services to counterparties are required to register for and pay VAT independently.

Before that requirement applied only to foreign organizations that provide electronic services to individuals residing in the Russian Federation. After January 1, 2019, this requirement will also concern those organizations that provide electronic services to legal entities.

Foreign organizations that provide services in electronic form must apply for registration to the tax authority no later than 30 calendar days from the starting date of the provision of these services. The list of electronic services includes:

- granting the rights to use computer programs (including computer games)
- granting the rights to use databases via the Internet
- provision of advertising services and space on the Internet
- provision of domain names
- provision of hosting and other services

The registration application may be submitted to the tax authority via a representative.

To be registered foreign company should provide an extract from the trade register of the country where it is incorporated. The registration takes up to 30 working days. After registration, the company will get access to the taxpayer's web room for VAT reporting and correspondence with the Russian tax authorities.

Invoices on payments should mention the relevant net amount without VAT (or with VAT for 2021). For electronic services, a special tax rate, 16,67% applies, which is mathematically calculated as the reverse charge from the gross amount of the invoice due

Furthermore, the invoice should contain information about the Russian taxpayer identification number (INN) and registration reason code (KPP) which foreign company receives upon completion of the registration with the tax authorities.

Russian VAT is calculated based on the payments of Russian customers received by a foreign company during a tax reporting period, a quarter. The foreign company is not allowed to offset the incoming VAT against VAT payable in Russia.

The payments received in foreign currency should be recalculated into rubles using the exchange rate of the RF Central Bank on the last day of the Quarter. The tax has to be paid in rubles not later than the 25th day of the month following after the Quarter. Foreign company does not need to have a bank account at Russia bank; VAT payment can be done by using a bank account in a foreign bank.

The VAT tax return has to be submitted through the company web room not later than the 25th day of the month following the Quarter.

Ekatherina Lakatosh
lakatoshea@schneider-group.com
Russia

New regulation on remote working in Turkey

In Turkey, as of 10 February 2021, new regulations are brought covering remote employees and their employer in accordance with article 14 of 05.22.2003 dated 4857 numbered procedures and principles. In this regulation, some important definitions and concepts related to the definitions of "workplace", "remote employee", "remote work" and the content of the employment contract are clarified, The responsibilities of the parties have been explained in written regarding the issues that may cause hesitation about the procedures and principles of working remotely, the application of business rules regarding the protection and sharing of data.

According to the regulation, remote working is defined as; "A business relationship established in writing based on the principle of performing the work of the employee at home or outside the workplace with technological communication tools within the scope of the work organization created by the employer." Employment contracts for remote work must be in writing.

In this contract; the description of the job, the way it is performed, the duration and place of the work, the matters regarding the payment of wages and wages, the work tools provided by the employer, the equipment and the obligations regarding their protection, the employer's communication with the worker and the general and special working conditions.If necessary, arrangements regarding the location of remote work are completed before the work starts.The method of covering the costs arising from these regulations is determined jointly by the remote worker and the employer. Materials and work tools required for the production of goods and services of the remote worker should be provided by the employer, unless otherwise agreed in the employment contract. In addition, the list of work tools indicating their cost on the date of delivery to the worker must be submitted to the worker in writing by the employer. If the list of work tools is arranged in addition to the employment contract within the employment contract or on the date of the contract, there is no requirement to prepare a written document.

The time interval and duration of remote work are specified in the employment contract.Working hours may be changed by the parties, provided that the limitations stipulated in the legislation are adhered to.Overtime work must be upon the written request of the employer, with the acceptance of the worker in accordance with the provisions of the legislation. Employer; informs the remote employee about the business rules and relevant legislation regarding the protection and sharing of data regarding the workplace and the work he/she does, and must take the necessary measures for the protection of this data. Employer should determine the definition and scope of the data to be protected in the contract.

In order to protect the data, the remote employee is obliged to comply with the operating rules determined by the employer. The employer is obliged to inform the employee about occupational health and safety measures, to provide the necessary training, to provide health surveillance and to take the necessary occupational safety measures regarding the equipment provided, taking into account the nature of the work performed by the remote employee.

It is not allowed to work remotely in jobs that involve working with hazardous chemicals and radioactive substances, processing these substances or working with the wastes of these substances, working processes that have a risk of exposure to biological factors. It is determined by the public institution and organization that is responsible for the unit, project, facility or service or receives the service in which units, projects, facilities or services that have strategic importance in terms of national security cannot work remotely.

The business relationship can be established directly with a remote employment contract or the employment contract of the employee currently working at the workplace can be converted into a remote work contract, if the employee and the employer agree. In the event that remote work will be applied to the whole or part of the workplace due to compelling reasons specified in the legislation, the request or approval of the personnel is not required for the transition to remote work.

Pinar Gursoy
pinargursoy@rehberconsulting.com
Turkey

Anti-Money Laundering (AML)

Over the past several decades, money laundering has become an increasingly prevalent issue. Both financial institutions and governments are constantly looking for new ways to fight money launderers, and several anti-money laundering policies have been put in place to help this effort to the maximum.

Anti-money laundering laws entered the global arena soon after the Financial Action Task Force was created. The FATF was responsible for the creation of most anti-money laundering standards, and it made a framework for countries to follow. After putting this framework into effect, the FATF then began to systematically identify countries that did not have proper legislation regarding money laundering. This tactic helped motivate countries to alter their legislation and start properly enforcing the policies that were in already place.

Anti-money laundering (AML) refers to all policies and pieces of legislation that force financial institutions to monitor their clients to prevent money laundering. AML laws require that financial institutions report any financial crime they detect to relevant regulators.

The objective of anti-money laundering (AML) is to deter criminals from feeding their illicit funds into the financial system. Criminals use money laundering to hide the true source of their money that has been derived from crimes.

United Arab Emirates Issues New AML Law in the Context of FATF Evaluation

In the context of this year's mutual evaluation, the UAE has undertaken a number of proactive initiatives to ensure best-practice anti-money laundering and counter-terrorist financing measures, including enacting an important new law and seeking to combat financial crime in cooperation with international partners.

The AML Law introduced several concepts recommended by FATF designed to enhance the UAE's effectiveness in identifying and preventing attempts at money laundering and terror financing.

Anti-Money Laundering (AML) is a set of policies, procedures, and technologies that prevents money laundering. There are three major steps in money laundering (placement, layering, and integration), and various controls are put in place to monitor suspicious activity that could be involved in money laundering.

The UAE's efforts to ensure its financial sector strongly complies with international best practices on financial crime prevention are not limited to the new AML law.

Federal Decree No. 20 of 2018 on Anti-Money Laundering and Countering the Financing of Terrorism was issued to develop the legislative and legal structure of the nation to ensure compliance with international standards on anti-money laundering and countering the financing of terrorism. The law aims to:

- Combat money-laundering practices
- Establish a legal framework that supports the authorities concerned with anti-money laundering and crimes related to money-laundering
- Counter the financing of terrorist operations and suspicious organizations.

Ultimately, avenues for international cooperation that involve advancing combative tools, raising awareness of the risks and improving legislative defences should be a priority for all players in the global system that are tasked with defending the integrity of the international market.

Cumulatively, these legislative advancements can assist in providing greater protection for the UAE's market, as well as offering assurance to international investors that their financial interests are safe within the UAE jurisdiction.

Shaji C Madathil
shaji@afsauditing.com
United Arab Emirates

Sustainable growth in small and medium practices (SMPS)

Small and Medium Practices (SMPs) play a big role in the provision of accountancy services, and their roles cannot be overlooked. Particularly, they provide business support to small – and medium-sized enterprises (SMEs) as well as large entities, who, for some reason, do not seek the services of big audit firms and second-tier practices. In Uganda and many developing countries, SMEs constitute the overwhelming number in private sector enterprises. This is also true for developed economies. SMPs are therefore key advisers to SMEs and other entities. SMPs, therefore, play a great role in building capacity and support in the areas of audit and assurance services, statutory compliance services e.g. tax and NSSF, investment guidance among others.

How to ensure systematic growth for SMPs

1. Value the human capital

Practitioners must understand that the biggest resources for an SMP is human capital. All work undertaken by the practice is done by people. Therefore, it is imperative to value your staff because, without them, there is no work, and eventually no firm. There is a need to recognize good efforts and give credit where it is due. There is a need to create a conducive working environment for staff where they feel free to express themselves, especially the millennials. When staff feel valued, they're more likely to go above and beyond for the firm and take responsibility.

2. Build a team

Survival of an SMP lies in the ability by Partners to create a strong team to deliver client results. At Dativa and Associates, we believe in teamwork. This is the premise upon which we have built a performance model that we continue to see developing to our expectations but most of all to the expectations of our clients. There is a need by SMPs to shape the attitudes of team members to positively impact on customer service delivery to leave the client with no other option than to become an 'apostle' of the firm.

3. Deliver to client satisfaction

Serving the 21st Century customer requires building a strong brand. Practitioners need to take time to know their clients and deliver good service. There is a need to perform and surpass client expectations. When an audit firm offers good service, the client cannot forget her. This will result in referrals that can expand the client base. Even after the contract period ends, such clients will remain loyal and can invite the firm again for work after the rotation period has ended.

Otimong Joanita
joans@dativaassociates.com
Uganda

DATIVA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Member of Antea Alliance of independent firms

Brexit: EU trade mark protection and comparable UK trade marks from 1 january 2021

The Agreement of the Withdrawal of the United Kingdom from the European Union ended the transition period on 31 December 2020. Thus, as of 1 January 2021, international trade mark registrations protected in the European Union under the Madrid System are no longer protected in the United Kingdom.

It is worth mentioning that UK companies will still be able to apply to the EU Intellectual Property Office (EUIPO) for an European trade mark and there will be no changes to UK registered trade-marks as a result of leaving the European Union although it will require the applicant to have presence in any EU country. Besides, the Withdrawal Agreement provides some protection measures for the owners of EU trade marks registered or granted before the end of the transitional period.

The main one consists of the creation of a comparable UK trade mark for each international registration that has obtained protection in the European Union before 1 January 2021.

This comparable national trade mark will be registered and administered by the UK Intellectual Property Office (UKIPO) and, therefore, will be independent of the international registration. It will be ruled by the UK law, will retain the original filing date of the EU trade mark and will be fully independent of the original European trade mark.

Where the trade mark owner has obtained its protection in the EU as a result of several designations (e.g. through a designation in the original application and a designation filed subsequently), a comparable national trade mark will be created for each designation. This means that it is possible to hold different comparable UK trade marks in respect of a single international registration, but the rights of each of them are independent.

Additionally, if the application for an EU trade mark registration is pending on 1 January 2021, the intellectual property rights' owner may apply for registration of a comparable UK trade mark within the nine months after the end of the transitional period, i.e. up to and including 30 September 2021.

This will also apply to those whose application for international registration or subsequent designation was filed with a national office before 1 January 2021 but whose confirmation of such registration or subsequent designation is dated after that day. The difference is that the nine-month period will start to run from the date on which the international registration was recorded by the World Intellectual Property Organization (WIPO) or, for subsequent designations, from the date on which the application for EU protection was recorded in the International Register.

Rocío Escamez - rocio.escamez@scornik.com
Antonio Arenas - antonio.arenas@scornik.com
United Kingdom

SCORNIK GERSTEIN LLP

Member of Antea Alliance of independent firms

Tax incentive rule in vietnam for software production

I. In regulation:

Based on Circular No. 96/2015 / TT-BTC dated June 22, 2015 of the Ministry of Finance providing guidelines on CIT in Decree No. 12/2015 / ND-CP dated February 12, 2015 of the Government detailing the implementation of the Law:

+ In Clause 1, Article 11, amending and supplementing Clause 1, Article 19 of Circular No. 78/2014 / TT-BTC is stipulated as follows:

"1. Amending and supplementing Clause 1 Article 19 of Circular No. 78/2014 / TT-BTC as follows:

"1. 10% tax incentive rate for a period of fifteen years (15 years) applies to:

a) Income of enterprises from the implementation of new investment projects in: areas with particularly difficult socio-economic conditions

b) Income of enterprises from the implementation of new investment projects in the fields of scientific research and technological development … production of software products…"

+ In Article 12, amending and supplementing some contents in Article 20 of Circular No. 78/2014 / TT-BTC as follows:

1. Amend and supplement Point a, Clause 1, Article 20 of Circular No. 78/2014 / TT- BTC as follows:

"1. Tax exemption for four years, 50% reduction of payable tax for the next nine years for:

a) Income of enterprises from the implementation of investment projects stipulated in Clause 1 Article 19 of Circular No. 78/2014 / TT-BTC (amended and supplemented in Clause 1 Article 11 of this Circular) ".

2. Amend and supplement Clause 4 Article 20 of Circular No. 78/2014 / TT-BTC as follows:

"4. The period of tax exemption and reduction stipulated in this Article is calculated continuously from the first year when an enterprise has taxable income from a new investment project entitled to tax incentives. In case the enterprise does not have taxable income for the first three years, from the first year having revenue from a new investment project, the period of tax exemption and reduction shall be calculated from the fourth year of the newly arising investment project revenue."

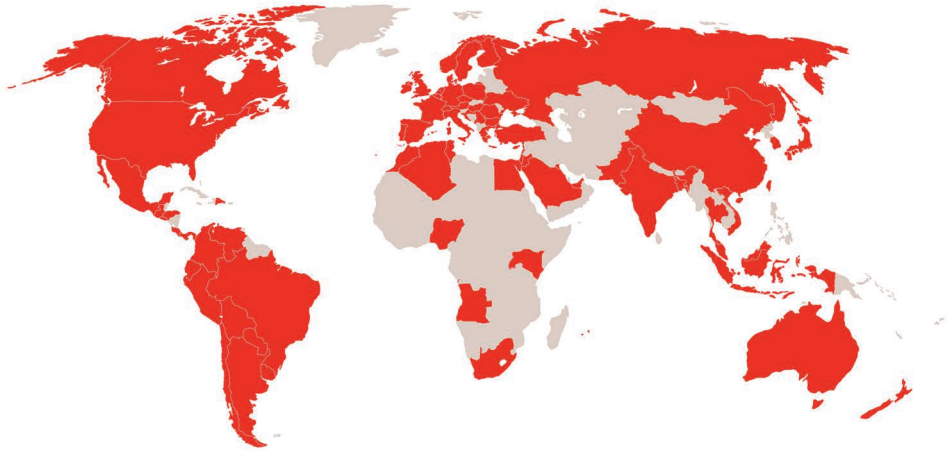
Thus, enterprises producing software products are entitled to a tax incentive rate of 10% for a period of 15 years; exemption of CIT for 4 years and 50% reduction of CIT for the next 9 years for income from the implementation of new investment projects in the production of software products.

II. Conditions:

According to the regulations, and basing on the recent update from new Official Letters of Ho Chi Minh City Tax Authority, a business is eligible to be considered a software production enterprise, need to meet the following requirements:

- Having an Enterprise Registration Certificate or Investment Certificate;
- Software products produced by enterprises belong to one of the types of software products specified in the List of software products issued under Circular No. 09/2013 / TT- BTTTT;
- Software production and development process of the enterprise includes one or more steps mentioned in Circular 13/2020/ TT-BTTTT.

Vi Nguyen
vi.nguyen@vnc-os.com
Vietnam



EUROPE
Andorra
Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Luxembourg
Malta
Montenegro
Norway
Poland
Portugal
Romania
Russia
Serbia
Spain
Sweden
Switzerland
The Netherlands
Ukraine
United Kingdom

AMERICA
Argentina
Bolivia
Brazil
Canada
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Panama
Paraguay
Peru
Uruguay
USA
Venezuela

MIDDLE EAST AND AFRICA
Algeria
Angola
Egypt
Israel
Jordan
Kenya
Kuwait
Lebanon
Mauricio
Morocco
Nigeria
Saudi Arabia
South Africa
Tunisia
Turkey
UAE
Uganda

ASIA-PACIFIC
Australia
Bangladesh
China
India
Indonesia
Japan
Malaysia
New Zealand
Pakistan
Singapore
South Korea
Thailand
Vietnam

auren
Antea Alliance of independent firms
ASSOCIATES