INTERNATIONAL BUSINESS

December 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:

News about Transfer Pricing documentation in Italy, Recent implementations in the Ecuadorian tax system and read the article from Israel about Artificial Intelligence.

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

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The EU Recovery Plan Effects for Bulgaria

Startup visas incentives for digital nomads and more scale-up companies included in the recovery plan of EU

Introduction of a clear procedure for startup visas, incentives for Bulgaria to become a destination for digital nomadism, more " scale-up companies " – all these reforms for improving of the business environment in high-tech companies are set in the latest version of the draft National recovery plan.

Startup visa

The introduction of a startup visa took place in February this year with the adopted changes in the law on foreigners in Bulgaria, but the ordinance for its issuance is still under process. The law stipulates that long-term residence permits can be obtained by those foreigners who have a certificate issued by the Ministry of Economy for a high-tech and/or innovative project called a "startup visa" and after issuing a long-term visa they have become shareholders in a Bulgarian commercial company with ownership of not less than 50 percent of the company's capital. *The draft of the Bulgarian plan, which will absorb the BGN 12 billion from the EU Reconstruction Mechanism, states that the procedure for a startup visa will follow the best practices of the European Union and will be entirely an online process, involving representatives of the local startup ecosystem in the evaluation process.*

More scale-up companies and digital nomads

Along with the great growth of startups in the national plan, there is an increase in the so-called scale-up companies in the Bulgarian economy. They are relied on to contribute to greater growth of GDP. *Scale-ups are companies with an average annual growth in the number of employees (or turnover) greater than 20% per year for a period of 3 consecutive years, with at least 10 employees at the beginning of the observation period.*

A curious detail is that the "boom" of scale-up companies is associated with more investment opportunities than pension funds. The plan envisages changes in the Social Security Code, related to the investment opportunities of pension funds. It is specified in details that the changes should allow pension funds to invest 5% of their portfolio in alternative investment funds. And also, to enable pension funds to invest in registered funds throughout Europe, as well as to determine the allocation of money in this direction.

In the field of high technologies, our country will fight for becoming a destination for the so-called "digital nomads". However, in order to succeed, numerous changes would have to be made in the Social Security Code in order to start regulating distance working, which is increasingly applied as a modern form of employment. The popular digital nomadism is in fact most often associated with the activities of highly innovative companies and those working in programming. Their employees usually work remotely by choosing beautiful places around the world where they stay for months or years.

More incentives for employees

The reform of the business environment, called **"Expansion Bulgaria"**, also envisages the *elaboration and adoption of legal changes for the introduction of a new commercial company in the Commercial Law.* This is planned to happen by the last quarter of **2022**. The reason – this Commercial Law does not allow companies registered in Bulgaria to use a number of necessary tools for business development such as convertible loans, employee options (option pools), vesting contracts etc. Mentioned vesting contracts are getting concluded more often in the technology sector. The employer provides company shares to the key employees, but it is not uncommon for such incentives to be an addition to the civil contracts as well. *Between 5-10% of the company's capital gets set aside to stimulate and retain the most capable employees of the company. Depending on the qualities and importance of the individuals for the functioning of the business, they can receive shares in the organization from 0.1% to 5%.*

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Deadline for Obligors of External Audit in Croatia

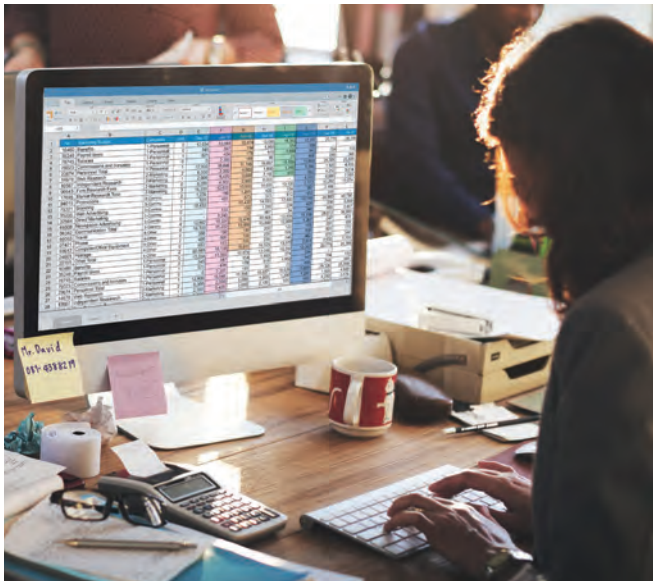
ÇAudit of financial statements of Croatian companies is regulated by The Accounting Law and The Audit Law. The obligors are determined by Accounting Law while the conditions and regulations of the audit process are determined by Audit Law. In case of any status changes of the company, mergers, acquisitions and divisions The Company Law determines the process.

Audit of financial statements implies verification and evaluation of annual financial statements and consolidated reports, data and methods used when compiling them and on that base shaping independent expert opinion on the matter. Article 20 of The Accounting Law determines the obligors of audit of financial statements with respect to size and their significance for the national economy. Thus, the obligation to audit individual and consolidated reports have:

- Medium and large entrepreneurs
- Companies of public interest, entrepreneurs established in accordance with Croatian regulations and whose shares are listed in regulated market
- Parent companies of medium and large groups
- Entrepreneurs who have applied for listing of its shares on regulated market
- Entrepreneurs who meet two of the three criteria for 2020 reports: assets HRK 15 million, revenues HRK 30 million and average of 25 employees. Although the small and micro entrepreneurs are not obligors of mandatory audit, if they too meet two of the three above mentioned criteria, they become obligors of mandatory audit.
- Entrepreneurs who participated in business merges or divisions as acquirers.

The auditor of the company is selected and appointed by assembly of the company no later than the end of September for the current year. Auditing company performing the services must have a work permit by the Ministry of Finance and the general auditor must meet all prescribed conditions for conducting the audit.

To conclude, for auditing services of financial statements for year 2021, the companies have the deadline to select the auditor until September 30th. All rights and obligations of both parties are regulated by written contract which is later reported to Ministry of Finance. The agreed amount of fee cannot be the subject of any form of conditioning as well as it must not depend or be associated with any other provided services to the audited entity.



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Transaction and Mediation incorporated into Tax processes in Ecuador

This year, a tax law has been presented to face the current crisis. This reform brings many interesting changes, one of the most innovative being the incorporation of the transaction and mediation as forms of resolution of tax disputes, which breaks with the tradition of the Ecuadorian tax culture that, to date, considered that the tributary issues were not negotiable in any way.

In this law, the guidelines to proceed with this issue were determined. In the first place, the ability of tax administrations to resolve and avoid possible litigation through a mediation process is recognized, as well as to terminate a judicial process through an intra-procedural transaction, as long as they are at the correct procedural moment.

In turn, the possibility is recognized for taxpayers to request a mediation process. These requests will always be answered by the administration, even though they do not have to end with the issuance of a record where an agreement is reached. In other words, the request for these processes generates a duty of means and not of result for the Administration.

In order not to generate a loss of opportunity, both for the administration and the taxpayer, the request for mediation by the taxpayer suspends the expiration periods of the tax obligation, and the state can still carry out a review process in case of no agreement is reached; in the same way, the deadlines for the presentation of a claim before a court are suspended, if an agreement is not reached, the taxpayer may still exercise his defense.

For mediation processes, without a trial having been started, a mediator authorized by the Council of the Judiciary is required and that this process be carried out in a duly accredited mediation center. On the other hand, if the negotiation is carried out in the framework of a trial, the judge will be the competent authority to validate the agreement.

Given the saturation of the courts of justice, the incorporation of mediation and transaction as ways of resolving conflicts represents an important advance in tax matters; which may, a greater and more expeditious collection by the State, as well as a better defense of the interests of the companies, who may terminate a tax quota in a fairly short time. Of course, only time will tell if this measure is truly beneficial in the Ecuadorian tax system.

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Overview over the Unified Tax Procedures Law No. 206 of 2020

Part 1 - Overview and Penalties

On 19 October 2020, the Egyptian Government issued the Unified Tax Procedures Law No. 206 of 2020 (the "Law") amending certain articles of the income tax law, value added tax law, stamp tax, state development tax, and other similar taxes, and effective as of 20 October 2020.

In this alert, we summarize the key provisions of the Law, as stipulated in Egypt's Official Gazette on 19 October 2020.

In summary, the newly issued law aims to establish unified tax procedures for filing and regulating direct and indirect taxes. As such, taxpayers will have a single tax code for their tax registration for the different types of taxes.

The key issues addressed by the law involve filing of returns, financial penalties, rights and obligations of the Egyptian Tax Authority ("ETA") and taxpayers as relevant to tax audit, appeal, refund, documentation retention, etc.

Overview

Following the issuance of Law No. 206 of 2020, certain article amendments have been enacted regarding the filing and compliance procedures of corporate income, payroll tax, value added tax, state development tax, transfer pricing guidelines and other similar taxes`.

The main points to note are as follows:

- New filing requirements for the submission of the amended CIT returns, payroll quarterly returns, monthly VAT returns have been introduced.
- New provisions and procedures for advance rulings, tax refund, tax appeal and issuance of tax clearance certificates are set.
- New range of financial penalties are enacted for non-compliance with the various tax laws and filing requirements.
- Minimum transfer pricing threshold of EGP 8 million is now applied for filing the TP documentation. Non-disclosure of the related party transactions within the annual corporate tax return should be subject to a penalty of 1% of the value of the transaction not disclosed.
- New procedures for the ETA's access to taxpayers' information, and a documentation retention period has been set.
- Procedures for the exchange of taxpayers' information by the ETA, with tax authorities in other jurisdictions that have DTTs with Egypt, for the purpose of DTT application are now introduced.

Financial penalties

The Law has stated a range of financial penalties for non-compliance with the tax laws as follows:

Penalty of EGP 3k up to EGP 50k applicable in the following cases:

- Non-compliance with the deadlines of submitting the different types of tax returns (such as: corporate income tax, payroll tax, VAT, and state development tax) for a period not exceeding 60 days from the tax return due date
- Including false information in the tax returns
- Non-cooperation during tax audits
- Non-compliance with Transfer Pricing three-tier filing requirements
- The above-mentioned penalty could be doubled or tripled in case of recurrence

Penalty of EGP 5k up to EGP 200k applicable in the following cases:

- Non submission of tax returns for a period exceeding 60 days following their due date
- The above-mentioned penalty could be doubled or tripled in case of recurrence within a three year period

Penalty of EGP 20k up to EGP 100k applicable in the following case:

- The taxpayer not notifying the ETA of change(s) in the company's tax registration information within a period of 30 days of such change

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Germany: New Transparency Register regulation

The new regulation of the German Money Laundering Act (GWG), in force as of 1 August 2021, entails for almost all companies domiciled in Germany a new obligation to designate beneficial owners in the Transparency Register and to keep the data up to date.

Missing or incorrect information can lead to penalties, in the worst scenario of up to 5 million Euro or 10 % of the total turnover.

Background

The Money Laundering Act introduced such an obligation already at the end of 2017. However, many companies were exempted if the beneficial owners could be electronically traced from the Companies or Associations Register (fictitious publicity). This effectively relieved many companies with recent registration in such registers. With the new regulation, this exemption is abolished and a general registration obligation is imposed.

Who is obliged to register?

All companies, limited liability companies, public limited companies, limited partnerships, partnerships (GmbH, GmbH & Co. KG, AG, KG, OHG, SE) as well as trusts, cooperatives, registered associations and foundations. Individual entrepreneurs and private partnerships are exempted.

Who must be identified?

Beneficial owners, natural persons who directly or indirectly hold 25% of the capital or voting rights, or who exercise control in a similar way.

When must the identification take place?

- Companies not benefiting from the previous fiction: **immediately.**
- Those benefiting from the previous fiction **before 31.03.2022** (AG, SE and KGaA), **30.06.2022** (GrbH, Partnerschaften und Genossenschaften) and **31.12.2022** (OHG, KG, Vereinen and the rest).

Auren will be pleased to answer your questions if you have not yet been registered in the Transparency Register or if you have any doubts about the identification of the beneficial owners.

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Greece – Taxation of Equity Income

According to a new Circular, the tax treatment of the income in the form of stock options, as well as the one for free shares given within the framework of share plans, is better clarified. Sometimes companies prefer this reward policy for employees, partners, shareholders or even for employees of a subsidiary company,

The most important points are the following:

1. **Stock options** – It is now clearly stated, when a bonus is granted to the Employee it is considered as a stock option or a normal cash bonus.
2. **The taxable amount in the name of the Employee Market value of the benefit is defined at exercise** – Income is determined as the difference between the closing price of the share on the stock exchange at exercise and the price of the stock option at grant (preferential acquisition price). Also, the market value of the benefit is determined on the exercise date of the stock options, regardless of whether the individual is employed at the time.
3. **Taxable event is upon transfer of shares** – The taxable event is now clearly defined as at the "time of transfer of shares" which were acquired upon exercise. Now if the shares are transferred prior to the completion of 24 or 36 months, depending on the case, from the grant date of the stock options the income generated, is taxable as employment income. For later transfers, depending on the case, the income generated, is taxable as capital gain. It is clarified that for the purposes of application of the respective provisions, a transfer is not considered to be only the sale of shares at a price, but also their donation. Holding period – Clarity on the holding period of the shares acquired upon exercise of the stock options, when the income can be taxed as employment income, and when a stock option is deemed to be granted.
4. **Extra capital gain upon sale at a higher value and beneficiary's reporting obligations** – In the case of listed shares, if the beneficiary participates in the company's share capital with a percentage of less than 0.5%, the capital gain from the sale of shares as above determined is tax exempt and should be reported in the personal income tax return. In the case of non-listed shares, or listed shares where the beneficiary participates in the company's share capital with a percentage of at least 0.5%, the capital gain from the sale of such shares is taxable at the rate of fifteen percent (15%) and should be reported in the personal income tax return (Form E1), in codes 829-830 or 865-866, as the case might be.
5. **Free shares** – Income arising in the form of free shares granted by a legal entity via share plans (mentioning any employee incentive schemes; restricted Stock Units (RSUs), performance shares or performance units, restricted shares plan, matching shares or employee stock purchase plan, deferred stock, etc.), is classified as capital gain taxable at the rate of 15%.

Employer's reporting obligations (free shares) – Companies granting free shares, should provide the beneficiaries with a hardcopy distinct salary letter

relating to the tax year that the free shares were granted, which will clearly indicate the number of the shares vested as well as the value of the shares on vest date. At the same time, companies should include the respective amount in the monthly electronic payroll withholding return.It is highly recommended taxpayers and their employers covered by the new rules to discuss their situations with qualified tax professionals before any decisions are taken.

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Bring the AI into the strategy room

In the 21st century, we all know, to catalyze breakthrough business growth in the business world, it is necessary to adopt innovative technologies and follow innovations that can be a competitive advantage.

One of the significant tools that are in growth and improvement is AI.

AI(Artificial intelligence) is a metaphorical name for a situation in which one tries to simulate human thinking capabilities by technological means by understanding the world around them.

All this, to make better decisions than a person.

The World Economic Forum estimates that by 2025 artificial intelligence is expected to eliminate about 85 million jobs, but as a result, another 93 million new jobs will be created *(World Economic Forum Future of Jobs report 2020).*

One of the known platforms, their technology sequences the corporate strategy landscape to support bold aspirations, make tough choices, and help clients mobilize large-scale resources.

This platform synthesizes knowledge from over 400 billion web pages, including news, patents, and scientific publications. It condenses weeks of research into hours, identifying novel sources of growth, innovation, and opportunities for M&A.

By tapping into the web's collective intelligence, the platform complements traditional brainstorming methods to reveal hidden pockets of growth, such as white spaces, acquisition targets, ideas for new products or services, or new applications for existing offerings.

Why should you consider adopting AI technology In business?

M&A(Mergers and Acquisitions)

In a crowded M&A marketplace, speed and depth are key to gaining a competitive edge. Auren Israel uses the platform to identify, screen, and enrich potential target data. The platform can assess the technology and market fit, and surface up synergies across the portfolio.

Innovating with Confidence

The platform's comprehensive, evergreen, AI-assisted research helps discover new markets and applications for existing products or expand along the client's value chain.

Mapping the Corporate Landscape

Leverage all the world's knowledge and access near-real-time prescriptive intelligence on the global strategic, economic and social risk issues most relevant to their organization.

Auren Israel Consultants Department uses the AI platform of SparkBeyond.

We are here for all the branches of Auren International. You are welcome to consult with us about the technology and maybe even adopt it for them.

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The new Italian Crisis and Insolvency Code

23-10-2021 GAZZETTA UFFICIALE DELLA REPUBBLICA ITALIANA Serie generale - n. 254

LEGGI ED ALTRI ATTI NORMATIVI

LEGGE 21 ottobre 2021, n. 147.

Conversione in legge, con modificazioni, del decreto-legge 24 agosto 2021, n. 118, recante misure urgenti in materia di crisi d'impresa e di risanamento aziendale, nonché ulteriori misure urgenti in materia di giustizia.

La Camera dei deputati ed il Senato della Repubblica hanno approvato;

IL PRESIDENTE DELLA REPUBBLICA
PROMULGA

la seguente legge:

Art. 1.

1. Il decreto-legge 24 agosto 2021, n. 118, recante misure urgenti in materia di crisi d'impresa e di risanamento aziendale, nonché ulteriori misure urgenti in materia di giustizia, è convertito in legge con le modificazioni riportate in allegato alla presente legge.

2. La presente legge entra in vigore il giorno successivo a quello della sua pubblicazione nella *Gazzetta Ufficiale*.

La presente legge, munita del sigillo dello Stato, sarà inserita nella Raccolta ufficiale degli atti normativi della Repubblica italiana. È fatto obbligo a chiunque spetti di osservarla e di farla osservare come legge dello Stato.

Data a Roma, addì 21 ottobre 2021

MATTARELLA

DRAGHI, *Presidente del Consiglio dei ministri*
CARTABIA, *Ministro della giustizia*

L'articolo 3 è sostituito dal seguente:

«Art. 3 (*Istituzione della piattaforma telematica nazionale e nomina dell'esperto*). – 1. È istituita una piattaforma telematica nazionale accessibile agli imprenditori iscritti nel registro delle imprese attraverso il sito *internet* istituzionale di ciascuna camera di commercio, industria, artigianato e agricoltura. La piattaforma è gestita dal sistema delle camere di commercio, industria, artigianato e agricoltura, per il tramite di Unioncamere, sotto la vigilanza del Ministero della giustizia e del Ministero dello sviluppo economico.

2. Sulla piattaforma sono disponibili una lista di controllo particolareggiata, adeguata anche alle esigenze delle micro, piccole e medie imprese, che contiene indicazioni operative per la redazione del piano di risanamento, un *test* pratico per la verifica della ragionevole perseguibilità del risanamento, accessibile da parte dell'imprenditore e dei professionisti dallo stesso incaricati, e un protocollo di conduzione della composizione negoziata. La struttura della piattaforma, la lista di controllo particolareggiata, le modalità di esecuzione del *test* pratico e il contenuto del protocollo sono definiti con decreto dirigenziale del Ministero della giustizia da adottare entro trenta giorni dalla data di entrata in vigore del presente decreto.

3. Presso la camera di commercio, industria, artigianato e agricoltura di ciascun capoluogo di regione e delle Province autonome di Trento e di Bolzano è formato, con le modalità di cui al comma 5, un elenco di esperti nel quale possono essere inseriti: gli iscritti da almeno cinque anni all'albo dei dottori commercialisti e degli esperti contabili e all'albo degli avvocati che documentano di aver maturato precedenti esperienze nel campo della ristrutturazione aziendale e della crisi d'impresa; gli iscritti da almeno cinque anni all'albo dei consulenti del lavoro che documentano di avere concorso, almeno in tre casi, alla conclusione di accordi di ristrutturazio-

Italy's new restructuring and insolvency Law: on October 21, 2021, the Law Decree (D.L. no. 118/2021) became definitive Law (L. 147/2021).

Such Italian Law - taking into account either the pandemic impact of Covid-19 on the socio-economic scenario or the framework set forth by Directive (EU) 2019/1023 (which must be transposed in Italy before July 2022) - provides for **urgent measures** in the business crisis and corporate restructuring of companies operating in the Italian market.

In a nutshell, the most relevant provisions are:

a. extension to May 16, 2022 (instead of September 1, 2021) the entry into force of the new *Crisis and Insolvency Code* (Legislative Decree no. 14 of 12/01/2019);

b. entry into force on December 31, 2023 of warning procedures for identifying and potentially remediating early-stage crises (Title II of Part One of the new *Crisis and Insolvency Code*);

c. introduction, starting from November 15, 2021, of the negotiated settlement of the business crisis (the socalled *"composizione negoziata per la soluzione della crisi d'impresa"*). This new legal framework is an out-of-court tool meant to simplify the reorganization of business activities where the crisis is potential but reversible. The entrepreneur may ask the Chamber of Commerce (in whose area the company's registered office is located) the appointment of an independent expert who has the "mission" to facilitate negotiations between entrepreneur, creditors and any other interested parties;

d. specific amendments to Law No. 267 dated 16 March 1942 (the old and still effective *Bankruptcy Law*), including the introduction of new articles for restructuring agreements with extended effects (art. 182-septies), provisional standstill agreements (art. 182-octies) and facilitated restructuring agreements (art. 182-novies) aimed at widening access to debt restructuring agreements and anticipating certain measures provided by the new *Crisis and Insolvency Code*; and

e. certain temporary measures to fight the impact of the COVID-19 pandemic.

The unpredictability of the evolution of the COVID-19 pandemic caused the Italian Government and Legislator to postpone for one year (from August 2020 to September 2021) the effective date of the New *Crisis and Insolvency* Code and evaluate that gradual implementation of the new rules is preferable to a one-shot overhaul of the relevant legal and regulatory framework.

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News about transfer pricing documentation

On 23 November 2020, the Italian Tax Office issued a provision with new instructions regarding the content and validity of the transfer pricing documentation available to Italian resident enterprises and Italian permanent establishments of foreign entities to provide administrative penalty protection in the case of a transfer pricing assessment. Pursuant the new Instruction the set of Transfer Pricing documentation must include:

(i) Masterfile that reports the information relating mainly to the multinational group as a whole and be structured as follows:

1. **Overview of the group and the group structure**
2. **Description of the activities carried out by the group including the description of :** 2.1. Main drivers profit - 2.2. Transaction flows (five main group products and/ or service offerings by turnover amounting to more than 5% of group turnover) - 2.3. Main intercompany service agreements - 2.4. Main markets - 2.5. Brief functional analysis of the entities of the group describing their contribution to value creation - 2.6. Business restructuring that has taken place in the financial year.
3. **Description of the intangible assets owned by the group including information concerning:** 3.1. Group strategy for R&D and Intellectual Property (IP) management - 3.2. List of intangible assets including its legal ownership - 3.3. Main agreements including Cost Contribution Agreements (CCAs), R&D service and license agreements - 3.4. Transfer pricing policies - 3.5. Significant intercompany transactions occurring during the financial year.
4. **Description of the intercompany financial transactions including information concerning:** 4.1. Financing sources of the group - 4.2. Centralized financing functions - 4.3. Transfer pricing policies.
5. **Description of the group financial reports for the financial year including:** 5.1. Consolidated financial statements (to be attached to the transfer pricing documentation) - 5.2. Description of any Advance Pricing Agreements and other tax rulings related to the cross-border allocation of income, organized by country of reference.

(ii) Local country file that must include information relating to the Italian resident taxpayer and be structured as follows:

1. **General description of the entity** (history, market, trend etc..) including: 1.1. Operating structure - 1.2. Business strategies pursued and changes from the previous financial year, including an indication of any business restructurings or transfers of intangibles and the main competitors, with a description of their activities.
2. **Intercompany transactions**, including a summary of all the transactions analysed and the relevant amounts. This section can be divided into paragraphs and sub-paragraphs with the following information: 2.1 For type "1" transactions: 2.1.1. description of the transaction (a. amounts involved, b. details of the counterparty, c. potential

comparable and the PLIs used in the analysis) - 2.1.2. A detailed comparability and functional analysis, including an accurate description of the transaction and any changes compared with the previous year - 2.1.3. Methods adopted to determinate the transfer prices, (including the selected transfer prices method and the reasons for the selection , application criteria of selected transfer prices method) - 2.1.4. Results of the method applied - 2.1.5. Critical assumptions adopted.

3. **Financial information including:** 3.1. Individual financial statements - 3.2. Statements reconciling the PLIs used to apply the transfer pricing methodology with the figures in the annual financial statements - 3.3. Financial data of comparable entities.
4. **Attachments:** 4.1. Copies of the contractual documentation for each covered transaction, including any cost sharing and CCAs - 4.2. Copies of APAs and other cross-border tax rulings of the Italian entity as well as the same APAs or rulings not concluded by the Italian entity but in any way linked to the transaction covered.

The drafting of the Masterfile and Local country file, request that the above documentation must be in Italian (only the Masterfile may be in English), both document must be signed by the Italian entity's legal representative or a delegated person by means of an electronic signature and a time stamp (so called "marca temporale") no later than the date of filling and submission of the annual tax return. All the relevant documentation must be submitted in electronic format.

In conclusion it's important to remind to indicate in annual tax return in a specific box the availability of TP documentation in order to benefit of penalty protection.

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Glimpse on Mauritius

Mauritius is a small subtropical island in the Indian Ocean, located around 500 miles off the east coast of Madagascar. The island covers a total area of 2,243 square kilometres and is surrounded by coral reefs and sandy beaches. Rodrigues, Agalega, the Chagos archipelago and other small islands forms part of outlying territories of Mauritius. Mauritius has a population of around 1.3m inhabitants and has a cosmopolitan culture with a blend of several cultures. The official language is English. French is extensively used whilst Creole is widely spoken. The other languages/dialects spoken are Hindi, Urdu, Tamil, Telegu, Bhojpuri, Marathi, Mandarin and Hakka. Mauritius has a maritime climate; tropical during summer from October to March whilst sub-tropical during winter from June to September.

Since its independence in 1968, Mauritius has made significant efforts in diversifying its economy starting from the agricultural, textile, tourism, to the financial services-based economy and recently promoting new sectors in the field of medical tourism, higher education, ocean economy, biotechnology and fintech amongst others. Today, Mauritius *offers numerous business investment opportunities* in over 15 sectors of activity. The GNI per capita has reached USD 12,740 in 2019. The success of Mauritius is due to the political & friendly well-regulated environment, social & economic stability, proper banking system and a range of bilateral and tax treaties amongst others.

The country was ranked 13 out of 190 countries and *1st* in Africa according to The World Bank *"Ease of Doing Business Report 2020"*, 54 out of 140 countries and *1st* in Africa according to the World Economic

Forum *"Global Competitiveness Index 2019"*, 38 out of 161 counties and *1st* in Africa according to *"Forbes survey of best countries for business 2019"*, 52 out of 180 countries and *3rd* in Africa as per Transparency International *"Corruption Perceptions Index 2019" and 54 out of 136 countries and 1st* in Africa as per the *"Travel and Tourism Competitiveness 2019"* amongst others. These confirm the strategy of the Government to make Mauritius the *leader* in business facilitation to enter Africa. Besides, Mauritius is the gateway to the African Market due to its strategic geographical location. Mauritius is an independent state withing the Commonwealth and is a member of the United Nations, the Francophonie, the ACP (African, Caribbean and Pacific states), the SADC (Southern African Development Community), the COMESA (Common Market for Eastern Southern Africa) and the Indian Ocean Rim Association. With the various trade agreements signed with key neighbours and countries, Mauritius offers possibilities to both foreign and local investors to enter the *African Market* more rapidly and benefit from *preferential access and tariffs privileges.*

Financial services sector is a key component of the economy and has more than two decades of track records in cross-border investment and finance. Mauritius is a well-regulated International Financial Centre and offers a complete range of financial products (trusts, global funds, protected cells companies, family office, etc). It comprises of major local and international players in fund administration, law firms, insurance and banking. In order to boost

this sector, *tax holidays* have been introduced for organisation to set up their regional headquarters, fund management, Investment banking, etc.

Mauritius also offers a vibrant culture, a good quality lifestyle and has a range of facilities in terms of quality of accommodation, healthcare, education, shopping and recreational facilities. It *offers* several Schemes to *foreign nationals* wishing to *work, invest, acquire a property, live or retire* in Mauritius through the Occupational permit, Residence Permit or Permanent residence Permit. For instance, a non-citizen is eligible for a residence permit upon the acquisition of:-

a. a villa under the *Property Development Scheme* by investing at least USD 375,000;

b. a villa, suite or rooms (units) under the *Invest Hotel Scheme* for the price not less than USD 375,000;

c. a residential property under the *Smart City Scheme* for a minimum value of USD 375,000;

d. existing residential properties like villas, townhouse, penthouses, apartments and service plots of land in existing *Integrated Resort Scheme* at a minimum price of USD 375,000. The non-citizen has the possibility to rent the property, become tax resident and repatriate the funds or revenue from disposal or rental of the property under this Scheme. Besides, non-citizen, who has a residence permit will be exempted from Occupation or Work permit to invest and work in Mauritius; or

e. existing residential properties like villas, townhouse, penthouses, apartments, duplex and service plots of land in existing *Real Estate Scheme* at a minimum price of USD 375,000. The non-citizen has the possibility to rent the property, become tax resident and repatriate the funds or revenue from disposal or rental of the property under this Scheme. Besides, the non-citizens, who have a residence permit will be exempted from Occupation or Work permit to invest and work in Mauritius.

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Tax reform 2022 - Transfer Pricing

BACKGROUND

The latest reforms made to the fiscal legislation, presents several modifications to regulations in Transfer Pricing. The following document aims to address some of these changes.

- Supporting documentation
- Tax Returns
- Transfer Pricing Methods
- Transfer Pricing Audits and Fines
- Simulations and Benefit Test
- Maquiladoras

SUPPORTING DOCUMENTATION

Article 76, paragraph IX of the Income Tax Law (LISR) is modified to specifically mention that all intercompany transactions must count with its supporting documentation. This means both, international and national related-company transactions are within scope of a Transfer Pricing study. Additionally, given that previously the article only cited the use of "prices and amounts" for intercompany transaction analysis, the reform included the possibility to use profit margins.

Another important adequation was to precise that a functional analysis is to be performed for each intercompany transaction documented and should include all necessary information related to comparability adjustments.

TAX RETURNS

Paragraph X of the aforementioned Article 76 is changed to precise that the Informative Return of Intercompany Transactions, found in Annex 9 of the DIM, must be submitted no later than May 15th of the following calendar year. This date will also be the due date for the Local File which was previously submitted in December.

TRANSFER PRICING METHODOLOGY

Technical elements in the Transfer Pricing Methodology included in a TP Study are subject to very important modifications, which we will address next:

a. Comparable companies' information used must be that of the same year under review. Multiple year data or information may be used only when business cycles or commercial acceptance for products or services cover more than one fiscal year.

b. Article 180 states that intercuartil range adjustments will be performed exclusively, using the interquartile range method, the method agreed upon a Mutual Agreement Procedure (MAP) covered in a tax treaty or any authorized method covered in the general rules published by the tax authority.

AUDITS AND FINES

The Fiscal Code, Article 46 is changed in order to cite the correct use of "secret comparables". Information related to such comparables will be provided to the legal representatives of the taxpayer upon the signature of confidentiality agreements.

This information can be used by the taxpayer for the following:

a. To update the taxpayer's fiscal situation

b. To detract facts or omissions

c. Challenge a resolution determining fiscal debt

Time frame for the access to comparables' information used by the tax authority during an audit is extended, eliminating the previously mentioned 45 days, and now commencing on the day legal representatives are appointed by the taxpayer and until the deadline for challenging a resolution or a trial is solicited.

Fine amounts are increase from 50% to 75% of the amount withheld or not paid by the taxpayer.

SIMULATIONS AND BENEFIT TEST

The Fiscal Code is subject to one of the most controversial reforms in this Reform Project. Articles 5-A and 42-B are modified emphasizing the need to prove that intercompany transactions are conducted due to: Business Reason or Commercial Reason. The tax authority will have the ability to reject, for fiscal purposes, intercompany transactions that in its opinion, are being simulated by the taxpayer.

MAQUILADORAS

The option to apply for an APA is disregarded for all maquiladoras. From now on, taxpayers subject to this regime can only apply the Safe Harbour option cited on Article 182.

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Regime of the Maquiladora industry in Paraguay

The Maquila Regime was created in Paraguay by Law No. 1064 of 1997, whose main objective is to promote the establishment and regulate the operations of maquila companies in the country.

Through the maquila regime, investors can bring goods, products, or services into the country to be assembled, repaired, improved, worked, or processed for subsequent export.

This regime allows a foreign company to set up in the country, or to subcontract already existing Paraguayan companies, to process goods and services to be exported with the consequent added value.

Maquila operations are exempt from all tax or fee that affects the process from the importation of raw materials and supplies, the manufacture of products, to the export of the same, including VAT.

The law establishes a single tax, with a rate of 1% applied on the value of the invoice for services issued by the maquiladora to the parent company, or on the value of the export invoice when the goods are sold directly to the final customer of the parent company (on its own account and order). The tax is applied on the higher value.

Paraguayan legislation does not impose restrictions on the types of products or services included in the maquiladora industry. National policy on maquiladora activity in Paraguay is regulated an controlled by the National Council of Maquila Export Industries “Consejo Nacional de las Industrias Maquiladoras de Exportación” (CNIME).

Who can be beneficiaries of the maquila regime?

All those who have incorporated a company in Paraguay, which has a commercial relationship with another company abroad, may be beneficiaries. Individuals or legal entities, as well as companies that have idle capacity.

- **Available capital:**

There are no limits or minimum amounts, it can be foreign, national or mixed capital.

- **Location:**

Maquiladora industries are free to set up anywhere in Paraguayan territory, adapting to regional requirements as the case may be.

- **Type of company:**

They can be individuals or legal entities (Corporations, Limited Liability Companies, Branches of Foreign Companies or Individual Limited Liability Companies).

- **The Production Item:**

There are no restrictions in relation to the line of business. Any type of products or services may be produced or offered.

The Maquila Regime offers investors excellent conditions linked to lower tax and production burdens that make Paraguay a strategic ally for production and participation in international trade.

Since its inception, this regime has proven to be a valuable tool to support the development of the Paraguayan economy, as well as a great opportunity for foreign investors with an eye on South America.

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Taxation of real estate in Russia: specifics & perspectives

Corporate property tax in Russia ("CPT") is undergoing significant changes. The tax bases CPT can be an average annual value of the real estate or its cadastral price ("CP"). The calculation of the average annual value is based on a complicated formula considering the residual value of the real estate on a company's balance sheet therefore it cannot be applied by foreign companies without a permanent establishment in Russia.

The CP is used as tax base for CPT only for certain types of real estate, including the business and shopping centers, real estate owned by foreign organizations not operating in Russia through PE. As a general rule, the CPT rate is 2% if the base is the CP, but the rate can be increased up to 2.2% if the average value is used instead.

At first glance, the usage of the CP as tax base and the transfer of the tax calculation obligation to the tax authority appear to be a positive undertaking, but practice shows that quite often the value of such property is grossly overstated, or at least higher than the owners of such property are prepared to pay for it.

That is why statistics on successful court disputes over the CP revision are added every year:

- The average percentage of successful court claims for revision of the CP over the last 3 years was at least 90%;
- For comparison, in 2020, the total CP of real estate was decreased by almost 50%: from RUB 441.68 to 213.06 billion.[1]

There is a number of issues affecting proper determination of the CP by the authorities: imperfect valuation methodologies, market price and currency fluctuations during the valuation period, as well as trivial technical errors. Thus, it is important to keep an eye on this and take timely action to ensure a fair level of taxation.

The procedure of determination of the CP was revised in 2020 and currently there is a transition period for entering new provisions into force. According to the currently applicable regulations the calculation of the CP must be performed in each region of Russia not earlier than after 3 years and not later than after 5 years from the latest determination of such price. The determination of the CP is performed by state institutions upon a decision of the regional authorities. The CP of each real estate item is recorded in the Real Estate Register (hereinafter – "the Register"). Each interested person may obtain an excerpt from the Register and see the CP there.

All regions must perform a new determination of the CP in 2022 for all land plots and in 2023 for all buildings, premises, and other real estate items irrespective of the time when the previous determination of the CP was performed. Thereafter the determination of the CP must be performed every 4 years in each region except for Moscow, St. Petersburg, and Sevastopol and every 2 years in these cities if the city administration takes the relevant decision.

According to the current rules, there is a methodic for determination of the CP, whereby the CP was usually lower than the market price. Starting from January 1, 2023, the owners of the real estate items may apply to the state institutions responsible for the determination of the CP and request that the CP of the relevant real estate item will be determined in the amount of its market price. In order to submit such an application, the owner must order an appraiser's report at its own costs. During the transition period which is stated on August 11, 2020, and ends on January 1, 2023, each region of Russia may decide to apply the above-mentioned procedure prior to January 1, 2023.

The procedure of contestation of the CP may differ depending on the date when such price was determined and whether the relevant region has already decided to switch to the new procedure. Therefore, in the practice in can be quite complicated to determine which authority should be addressed and which rules should be applied for revision of the CP.

To sum up, the determination of the cadastral price in Russia still has enough room for improvement in order to make the real estate business in Russia a little more attractive.

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[1] *Based on information published by the Federal Service for State Registration, Cadastre and Cartography (Rosreestr): https://clck.ru/YaKC7.*

The Digital Property Act Law in Force

The Law on Digital Property is the first law in the Republic of Serbia that regulates the area of digital property in Serbia and establishes legal framework for digital business and trade of digital property.

The Law became effective as of June 29 and it regulates:

1. issuance of digital property and secondary trading in digital property in the Republic of Serbia
2. provision of services related to digital assets.
3. lien and fiduciary right on digital property.
4. the competence of the Securities Commission and the National Bank of Serbia.
5. supervision over the application of this Law.

Serbian government has recognized the need to encourage the domestic IT sector and to improve the business environment.

Thanks to the adoption of the said Law, Serbia is among the first countries in the world to create a framework for regulating digital property. A clear framework has been established and legal certainty has been provided for investors and users of digital assets

The new Law on Digital Property will enable Serbia to keep pace with the development of IT technologies and changes in the digital world.

The implementation of the Law on Digital Property will enable the development of the capital market with the help of digital technology. It will also strengthen the framework for combating abuse in the digital property market, as well as for money laundering and terrorist financing.

The law introduces the institute of **"white paper"**, which in accordance with international practice, is a document that the issuer is obliged to publish, and which contains information that allows investors to make investment decisions and assess investment risks. into digital assets.

When it comes to providers of services related to digital assets, the Law introduces the institute of licenses, as well as the minimum share capital that a company is obliged to have when applying for a license to provide services related to digital assets.

The mandatory amount of the founding capital of companies that want to provide digital assets related services, is prescribed by the Law and in the range from € 20,000 to € 125,000.00, depending on the type of services. The minimum share capital can be monetary and nonmonetary, but at least half of the registered share capital must be subscribed and paid in cash.

The National Bank of Serbia and the Securities Commission are designated as supervisory bodies in the Law on Digital Assets.

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New tax regulations aplicable to listed investment companies in the property market (SOCIMI)

The recently published Law 11/2021, of 9th July, on measures to prevent and combat tax fraud, has introduced some modifications that affect the special regime applicable to Listed Investment Companies in the Property Market (hereinafter referred to as SOCIMI).

Background

A SOCIMI *("Sociedades Anónimas Cotizadas de Inversión Inmobiliaria")* is an anonymous listed company whose main purpose is to purchase, develop and rehabilitate real estate assets for leasing. Therefore, the SOCIMI is a legal structure designed to operate in the real estate sector and its operative is quite similar to a Real Estate Investment Trust (REIT).

The main tax advantages foreseen for SOCIMI are the following:

- 0% taxation on CIT provided that some requirements are met.
- A special 19% CIT rate on the full amount of dividends distributed to shareholders when their shareholding is equal to or greater than 5% and their applicable tax rate is less than 10% (unless it is another SOCIMI).
- A 95% reduction on Transfer Tax for the acquisition of real estate properties.

Introduced modifications:

With effect for tax periods beginning on or after 1st January 2021, article 9.4 of Law 11/2009, of 26th October, which regulates listed investment companies in the property market, has been amended, **introducing a special tax rate of 15%** on profits obtained in the year that have not been distributed and that

- derive from income that has not been taxed at the general CIT rate (currently 25%) and
- do not derive from income of transfer of assets covered by the reinvestment period and that have met the 3-year permanence requirement of article 6.1 of Law 11/2009.

For these purposes, it should be remembered that SOCIMI are obliged to distribute the following profits:

- 100% of profits from dividends or shares in profits distributed by other SOCIMI or companies with equivalent treatment.
- 50% of the profits derived from the transfer of real estate and shares, after 3 years of use in the activity. The undistributed remainder should be reinvested within 3 years (if not reinvested within 3 years, such income should be distributed).
- 80% of the remaining profit.

This special tax of 15% will accrue on the day of the resolution of the shareholders' meeting to apply the profit for the year and must be filed within two months of the accrual. It should be noted that, despite the fact that it is paid separately from the CIT, the amendment expressly provides that the tax is to be treated as a CIT liability.

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Expo 2020 - Dubai

World Expos, officially known as International Registered Exhibitions, are a gathering of nations from all over the world to showcase their products and craftsmanship, to share with pride information about their motherlands. World Expos have explicitly been organized around a theme that attempts to improve humankind's knowledge, takes into account human and social aspirations and highlights scientific, technological, economic and social progress. All expo activities are international in nature from the very beginning.

World Expos welcome tens of millions of visitors, allow countries to build extraordinary pavilions and transform the host city for years to come. For years, World Expos have provided a platform for showcasing innovations and sharing experiences. Expo 2020 is a World Expo, currently hosted by Dubai in the United Arab Emirates from 1 October 2021 to 31 March 2022. Each world expo is a treasure for some people. It is dedicated to finding solutions to pressing challenges of our time by offering a journey inside a universal theme through engaging and immersive activities.

Expo 2020 is basically unlocking the opportunities for growth. Expo 2020 is a significant initiative that positions Dubai on the global map, and creates enormous economic growth opportunities for all. This will be a milestone in accelerating the global entrepreneurship and development. It provides us with a powerful platform to connect and collaborate with people and businesses, form new partnerships and explore fresh opportunities. "Connecting Minds, Creating the Future" is the official theme of expo, while the event has the equally relevant sub-themes of sustainability, mobility and opportunity. The event is designed to promote communication and interaction and open up better opportunities for trade and investment exchange between all countries.

Expo 2020 is a defining moment in the UAE's history. One of the advantages of Expo 2020 in Dubai is that it will directly benefit thousands of people by creating a multitude of new jobs in the emirate across numerous different sectors. Indirectly, this also contributes to the economy of Dubai. It is expected to bring a huge in foreign direct investment across sectors such as financial services, tourism, hospitality, real estate and infrastructure and construction. It will offer entrepreneurs and business owners the chance to attract investment, develop new markets and collaborate on new products and services to address the world's most pressing issues. Overall, domestic and international investments would trigger a large boom in these sectors in the medium and long term. One of the main developmental symbolism through the investment is for the real estate and tourism sector, retail sectors and the labor market. Exhibitions make a significant contribution to many business sectors around the world. The more global a business sector the more important the role of trade shows in introducing vendors to buyers and ensuring that industry players maintain contact with industry developments.

It is based on the belief that bringing the world together can catalyze an exchange of new perspectives and inspire action to deliver real-life solutions to real-world challenges. The benefits of expos include exhibiting at industry events is a good way to raise your profiles and generate brand awareness. As well as taking a stand at an event, there are usually other advertising and sponsorship opportunities. Meeting face-to-face with potential customers is a great way to start building relationships. Expo events are a great way to meet potential new customers, suppliers and to learn more about your competitors and a good place to introduce a new product or service. Meeting with potential customers at an exhibition helps you to start building your marketing lists and generate qualified sales leads.

In short, the World Expo has played an indisputably crucial role in globalizing culture, sports, and especially the exhibition industry. The World Expo is more than a major exhibition event. It is also a global salon where countries from all over the world including international organizations come together to discuss world issues and future developmental trends.

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The impact of brexit on english schemes of arrangement for foreign companies

What is a Scheme of Arrangement (SoA)?

A SoA is a process regulated under Part 26 of the Companies Act 2006[1] whereby a company can make an arrangement with its creditors or members to pay back part or all of its debts. This procedure can be used by insolvent or solvent companies.

The scheme must be approved by creditors comprising a majority in number, representing at least 75% of the value and it will be bound on all creditors, even if they vote against it or chose not to vote.

How is the process of a SoA?

1. Making an application.

The Scheme of Arrangement's procedure begins with an application at Companies Court (CC), which can be promoted by any of the following:[2]

- Any creditor of the company;
- The company itself;
- Any member of the company;
- If the company is in administration, the administrator;
- If the company is being wound up, the liquidator;

2. CC verifies whether the SoA meets the necessary legal requirements.

Creditors must act in good faith during the proceedings, and the terms of the agreement (SoA) must be reasonable to an honest and intelligent person.

3. Deliver a copy of the Soa at the Registrar of Companies.

If the SOA is sanctioned, the court's order must be then submitted for registration at the Registrar of Companies and once registered, it will be enforceable.[3]

Can a foreign company use an English SoA after Brexit?

Yes it can,[4] provided it has sufficient connection with England and Wales. The concept of "sufficient connection" has been interpreted in a broad sense by the British courts.

The UK courts have sanctioned SoAs agreed by foreign companies using the following non-exhaustive criteria when:

- A clause of exclusive submission to the British courts has been agreed by the counterparts.
- Credits affected by the SoA are subject to the English Courts.
- The debtor has an establishment within the UK.
- Most creditors are domiciled within the UK.
- The foreign company has assets under English jurisdiction.

Why foreign companies can be interested in applying to a SoA under UK jurisdiction?

- Speediness of English courts.
- The SoA provides flexibility with a high degree of procedural and commercial certainty for all involved, including creditors.
- Once the SoA is approved it will be binding on all creditors.

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Income Tax Global Minimum

INTRODUCTION

On June 5, the Finance Ministers of the G7 Group (United States, United Kingdom, France, Germany, Canada, Italy and Japan), who met in London, announced several relevant measures to fight tax evasion at a global level.

More than 130 countries, representing more than 90% of the world economy, including Uruguay, have ratified the agreement.

The proposal has been in the works for several years. The fundamental trigger is the large fiscal deficit that the fight against the COVID-19 pandemic has caused in the countries' treasuries and their need to mitigate the long-term consequences by balancing finances.

On the other hand, for some time now, there has been an urgent need in developed countries to stop what is known as the "race to the bottom". Said technique implies that multinational companies establish branches in countries or jurisdictions with low or no taxation, transferring their profits to such jurisdictions and therefore paying a lower income tax than if said t were declared in the country where they obtain the profits.

Let us recall that, in 2013, the central countries tried to avoid the delocalization of productive factors and with it the drop in revenue by putting the OECD into practice the so-called BEPS (erosion of the tax base and how profits are shared). Among the measures adopted at that time include, for example, tax information exchange agreements, which did not have the expected result in terms of combating jurisdictions with no or low taxation.

In 2020, the issue of the necessity of recovering tax collection was taken up again, with large digital companies in the spotlight: for example, Google, Apple, Facebook and Amazon pay an effective income tax rate of 9%, compared to an average of 22% paid by the rest of the companies in Europe.

It is in this context that the G7 member countries have reached an agreement to establish several measures. These measures will involve multinational companies paying a "fair share" of taxes wherever they operate.

MAIN ACTIONS TAKEN

It is in this context that the G7 member countries have reached an agreement to establish several measures. These measures will involve multinational companies paying a "fair share" of taxes wherever they operate.

The two main pillars of the agreement focus on:

I. In the case of digital economies, it involves locating the source of income where the service offered is consumed.

   Due to the complexity of locating the income in this type of market, the aim is to tax said companies,

where the service offered is consumed, which differs from the traditional source criterion adopted by Uruguay. In this case, income shall be taxed where the necessary production factors for its creation are applied (although the criterion of the place of consumption has already been adopted by Uruguay to determine the source of income, in the case of technology applications companies, for example). This first pillar aims to address the taxability of companies no longer by their physical location but by the level of sales in each country. Initially, companies belonging to a multinational group with annual revenues exceeding EUR 20 billion would be included, with certain exceptions depending on the profitability achieved by the group.

We would obtain the profit indicator from the consolidated financial statements of the multinational group.

II. On the other hand, there are plans to create a Global Minimum Tax (GMT) for a specific business sector.

Initially, the effective rate of the IMG was agreed to be 15%. This tax shall be applied to multinational companies with an annual turnover of approximately EUR 750,000,000, but countries may have the power to lower this limit as a way of including more companies as taxpayers of the new tax.

The next meeting will be in October, where they will discuss this issue. There, they expect to define whether, for example, the minimum rate will be 15%, if there will be deductions, etc.

The idea is that this new regime will come into force next year, and they will effectively implement it as of 2023.

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