



Indirect Tax in 2016

A review of global indirect
tax developments and
issues

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EY

Building a better
working world

Welcome to *Indirect Tax* in 2016



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Our latest publication identifies global developments in indirect taxes, including value-added tax (VAT), goods and services tax (GST), consumption taxes, excise duties, customs duties, insurance premium tax (IPT) and environmental taxes.

We highlight indirect tax changes introduced in more than 100 jurisdictions in recent months and those expected in 2016 and beyond. We also include world maps that provide a snapshot of where the changes are taking place. Designed to increase your awareness and help you pinpoint the key developments that affect your business, these maps reflect the significant volume and breadth of indirect tax changes across the globe, allowing you to consider their impact and potential opportunities and obligations.

Businesses are selling goods and services to an increasingly global audience, and the delivery of those goods and services is also rapidly evolving. The combination of a global market, complex supply chains and an increasing focus by jurisdictions on indirect tax compliance means that keeping abreast of legislative changes can be a daunting and demanding task. We believe that this annual publication is a valuable tool in a fast-changing tax landscape.

In addition to providing detailed information on indirect tax changes, we explore the drivers behind these changes. In our lead article, we delve into emerging trends we are seeing around the world, including the continued importance of indirect taxes for government revenues, how customs authorities are focusing on cross-border trade compliance, and how the use of technology continues to drive audit activity and compliance.

We also observe the increasing priority that governments are placing on environmental taxes – a trend driven by a global movement to address climate change. The first legally binding, universal agreement to address climate change, which was signed by representatives from 196 countries at the 2015 Paris Climate Conference (COP 21) in December 2015, is likely to be

a catalyst for additional indirect taxes and related legislation. The COP 21 agreement will result in additional compliance requirements for businesses as each country implements or strengthens sustainability tax policies. Businesses need to be aware of the policies and assess the compliance obligations arising from new and increased environmental levies. To help you navigate these specialist taxes, our *Global sustainability tax primer*¹ outlines environmental and energy taxes, sustainability incentives, and carbon regimes, offering guidance as you consider what changes you should make to ensure compliance.

Indirect Tax in 2016 provides a high-level overview of the developments we consider significant, but it is not exhaustive. Indirect taxation is constantly changing, whether as a result of government instigation or amendment following successful challenges. There may be changes that affect your business that we have not discussed in this publication. However, details about global and country-specific developments can be found at ey.com/indirecttax. In addition, information about indirect tax developments and obligations can be found in our global tax alerts library (ey.com/taxalerts); the regularly updated electronic VAT Assurance (eVA) information service; the Worldwide VAT, GST and Sales Tax Guide; Tax Insights (taxinsights.ey.com); and our periodic Indirect Tax Briefing publications.

Changes in indirect taxes around the world continue apace. To learn more or to discuss the changes necessary to address additional compliance and reporting obligations, please contact one of the EY Indirect Tax leaders listed in this publication or your usual EY Indirect Tax contact. They will also be happy to provide access to our eVA information service or copies of our publications.

Best regards,



Gijsbert Bulk

Global Indirect Tax

¹Global sustainability tax primer: an overview of environmental and energy taxes, sustainability incentives and carbon regimes 2016, EYGM Limited, 2016.

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Indirect tax developments in 2016 and beyond



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Indirect taxes such as value-added tax (VAT) and goods and services tax (GST) are directly linked to the manufacture, distribution and sale of goods and services. As such, they are intertwined with the business model of a company. But it is precisely these business models that might profoundly change during a “fourth Industrial Revolution” that will transform entire systems of production, distribution and consumption. Characterized by a fusion of technologies blurring the lines between the physical, digital and biological spheres, this revolution is not only challenging the business world – it is transforming our daily lives. These profound changes are challenging our traditional tax models and, in particular, how governments levy taxes.

In this article, we discuss some of the latest trends and developments in indirect taxes around the world and what business leaders should watch out for in 2016 and beyond in this rapidly transforming business landscape.



Indirect taxes: three trends on the eve of the fourth Industrial Revolution

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Indirect taxes remain an important and reliable source of revenue for governments

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Indirect taxes remain an important and reliable source of revenue for governments

When the first VAT systems were implemented in the 1950s, no one would have thought that indirect taxes would one day become one of the most important sources of revenue for many countries around the world.

For a long time, direct taxes, particularly corporate income taxes, were the first choice for financing the ever-growing public budget. This view changed rapidly when – at the beginning of the financial crisis in 2008 – corporate income tax revenues suddenly ran dry in many countries. Indirect taxes came to the fore to cover budget shortfalls, and VAT/GST rates climbed to previously unimagined heights, especially in Europe. Today, consumption taxes (including VAT/GST, sales taxes, and other general taxes on goods and services) account for roughly a third of the total tax revenue for member countries in the Organisation for Economic Co-operation and Development (OECD).¹

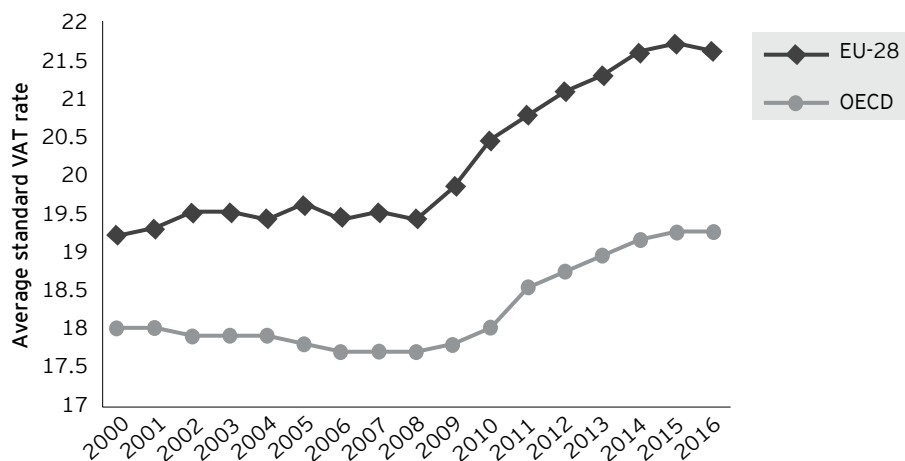
So do we see this upward rate trend continuing? While indirect taxes remain an important source of governmental revenues and VAT/GST rates have reached unprecedented heights in recent years, the latest developments seem to show that the growth of

indirect taxes is slowing. In the OECD member countries, VAT/GST rates are expected to remain stable in 2016, while in the European Union (EU), the average has even slightly decreased because Romania reduced its rate from 24% to 20%. Israel has also lowered its standard VAT rate from 18% to 17%. These trends become visible when observing the development of the average standard VAT rates over recent years, as Figure 1 illustrates.

However, we should not let these reductions mislead us. The general trend for VAT/GST is still an expansion, in tax rates as well as tax base. In fact, several countries have recently increased their reduced VAT/GST rates or broadened the tax base (or plan to do so). Examples of this trend include Austria, Belgium, Estonia, Greece and Norway.

This year, many countries have again increased excise taxes on alcoholic beverages, tobacco and mineral oil, further illustrating the “popularity” of indirect taxes. Higher tobacco taxes are reported in Belgium, Finland, Ireland, Latvia, Russia, Ukraine and Zambia, while alcohol taxes are on the rise in Belgium, Latvia, Madagascar, Russia and Ukraine. Historically low oil prices might

Figure 1.



Source: EY, based on OECD and EU data.

1. *Consumption Tax Trends 2014: VAT/GST and excise rates, trends and policy issues*, OECD, page 15.

also push governments to compensate for tax revenue losses by increasing mineral oil excise taxes or moving from an ad valorem excise duty base to a quantity-based approach.

Most importantly, the crucial role of indirect taxes in governmental revenues is shown by the continuing spread of VAT and GST systems worldwide. More than 160 countries have a VAT/GST system, and more are in the pipeline. Effective 1 April 2016, Puerto Rico will adopt a VAT system, which will replace a sales and use tax system and will be imposed at a maximum rate of 10.5%. This development is particularly remarkable because Puerto Rico will be the first US jurisdiction to introduce a VAT/GST system, and it could eventually turn out to be a pathfinder for a VAT/GST on the US mainland.

Other countries are also joining or expanding their membership in the VAT/GST club. Costa Rica plans to replace its sales tax with a VAT this year. In early to mid-2016, the VAT pilot in China² will be extended to real estate and property transactions, financial services, insurance transactions and lifestyle services (e.g., supplied by the hotel, food and beverage industries). Although India is still struggling to align everyone behind the single biggest indirect tax reform that the country has witnessed – the introduction of a GST – progress is expected on this front as well. After several postponements, the GST rollout is now planned for later this year. And the recent massive drop in oil prices has accelerated discussions of a VAT system in the Persian Gulf region, where such a tax could be introduced as early as 2018.

The new ways of trading globally are not just affecting domestic indirect taxes. The customs environment is particularly challenging. The World Trade Organization (WTO) reports that 413 regional trade agreements are now in force, with a further 619 notified, including the 12-country Trans-Pacific Partnership (TPP). These agreements directly impact customs duty collections, but, importantly, they provide relief only if product-specific rules of origin are met (and each agreement has its own rules of origin) and if supporting records are kept. We are seeing a significant increase in customs audit activity, with customs authorities challenging free trade agreement qualifications. This trend highlights a seemingly ambivalent approach by governments: they are bullish in adopting free trade agreements to promote exports but are restrictive in allowing imports under those same agreements.

Taken together, these developments show that just as the business landscape is evolving, the indirect tax landscape is also changing fast. Companies need to stay up to date with these changes because they increase the risk of noncompliance. And every rate change – upward or downward – affects the pricing of a business and, ultimately, the margin, so it must be carefully analyzed in its whole business context. Exemptions, reduced rates or zero rates often apply to politically sensitive supplies such as foodstuff, health, education or energy. Changes in these exemptions and rates are even more challenging for businesses because – depending on the market situation and the political circumstances – price increases may not be possible or advisable, meaning that the tax increase reduces the margin of the supplier.



2. China VAT reform: are you ready for the last run? January 2016, EYGM Limited, 2016.



The digital revolution accelerates global tax frameworks and cooperation

When the first VAT systems were implemented around 60 years ago, cross-border trade was not much of an issue. Goods were mainly produced and sold locally, and if goods were imported, it involved a few traders in large quantities. But globalization saw a massive expansion in cross-border trade. By 1990, the global trade of manufactured goods had increased tenfold from rates in 1960. And with the emergence of the internet in the 1990s, the first online shops came into being. What started as a niche business has evolved into a multibillion-dollar e-commerce trend over just a few years, with two-digit growth rates each year. By 2018, global e-commerce sales are expected to have passed the USD1,500 billion mark (see Figure 2).

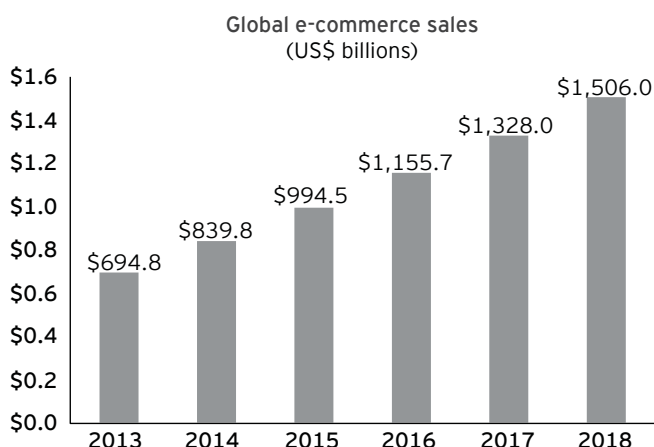
Nowadays, consumers order goods from almost anywhere in the world and have them shipped directly to their homes. As a consequence, millions of individual parcels, many with values below the thresholds for levying customs duties and taxes, cross borders every day. In many markets, these low-value consignments are giving foreign suppliers a competitive advantage over local suppliers, and they are causing significant losses of tax revenue (such as import duties and VAT/GST). As a result, customs authorities are taking steps to protect this source of revenue. In many countries, the threshold below which goods

are free of import duties and taxes is declining toward zero. In theory, this makes every import taxable. But, in practice, it increases the administrative burden for customs authorities and slows down cross-border trade.

So should customs authorities look for new ways to tackle cross-border sales? Another approach has been chosen by Turkey, for example, which has announced new filing requirements, effective 1 July 2016, for carriers and logistics companies to report on the aggregate shipments from a supplier, regardless of the identity of the importers. In the EU, an extension of the Mini One-Stop-Shop (MOSS) system (see below) is being discussed for EU suppliers of goods that have to register and pay VAT in the EU country of arrival if they sell goods to private consumers there. And Switzerland plans to implement such a procedure in 2017 – one of the first non-EU countries to do so.

Digitalization is forcing these developments to go even further. Increasingly, orders of physical goods are giving way to a simple download of data. Books are bought as electronic books; music and movies are streamed; and, with the development of 3D printers, consumers will create more and more goods on the spot and in real time, acquiring from the seller just the necessary data to program the printer.

Figure 2. Global retail sales are set to increase, although the rate of growth is anticipated to slow



Source: "Global Retail E-Commerce Keeps on Clicking: The 2015 Global Retail E-Commerce Index," ATKearney website, www.atkearney.com/consumer-products-retail/e-commerce-index/full-report, accessed 2 February 2016.

All these developments could affect the revenues collected from indirect taxes. Revenues from taxing supplies of goods decrease (also because barriers to international trade continue to fall) and, at the same time, traditional VAT systems cannot tax cross-border supplies of services and intangibles or can do so only to a limited extent.

Many countries are developing rules to tax foreign providers of electronic services.³ However, this is happening in a rather uncoordinated way, with most countries simply requiring foreign service providers to register in the country and pay VAT/GST. Some countries, such as Switzerland and Norway, have had such rules in place for years. The EU followed with a uniform system for all 28 Member States in 2015, introducing the MOSS concept as a single point of contact for taxpayers to declare tax charged on digital sales made to individuals. Most recently, Australia, Canada, Japan, New Zealand, Russia, South Korea, Thailand and Turkey announced that they will require foreign e-service providers to register and pay taxes. At the same time, many countries are considering lowering or abolishing thresholds for the importation of low-value consignments, allowing them to tax physical cross-border e-commerce deliveries as well.

Although there may be progress for governments, this uncoordinated approach poses significant problems for online merchants. Just imagine a supplier of music downloads having to register for VAT/GST in 150 countries, to file VAT/GST returns in them all and to apply the different local VAT/GST rules. Or think of a small start-up store selling goods online to customers in many jurisdictions and having to comply with all tax rules in foreign languages and exotic currencies. Both businesses also

must be able to identify the place of residence of their customers to apply the correct VAT/GST treatment. But, in reality, it also seems questionable whether these new rules are manageable for tax authorities. They definitely come with an additional workload and – if a foreign merchant does not register – little or no means to collect the tax due.

We therefore need a shift toward a global framework for applying VAT or GST to cross-border flows of services and intangibles. The OECD has already started this work by issuing the Global VAT/GST Guidelines⁴ in 2015, which recommend levying VAT or GST in the place where goods and services are consumed, not where they originate. However, the OECD has no solutions for how to enforce compliance. It simply recommends that countries adopt a simplified registration system and calls for stronger international cooperation in the exchange of information and the enforcement of taxes. Governments have an incentive to do so, given that they otherwise run the risk of having to rely on more difficult and costly enforcement and collection mechanisms.

A possible example of such a simplified system can be seen in the EU, where, as of 1 January 2015, a MOSS was established that not only invokes the destination principle for business-to-consumer (B2C) transactions but also seeks to simplify the compliance burden for business across EU Member States. Beyond the EU, however, such common registration and collection systems are unlikely to become operable in the near future. That means providing services to consumers in other countries bears greater indirect tax risks for e-commerce businesses – which are rapidly becoming most businesses in today's economy.



3. "Digital tax developments December 2015," EY website, www.ey.com/digitaltax, accessed 2 February 2016.

4. "A look at OECD's International VAT Guidelines, 21 January 2016," EY website, taxinsights.ey.com, accessed 2 February 2016.

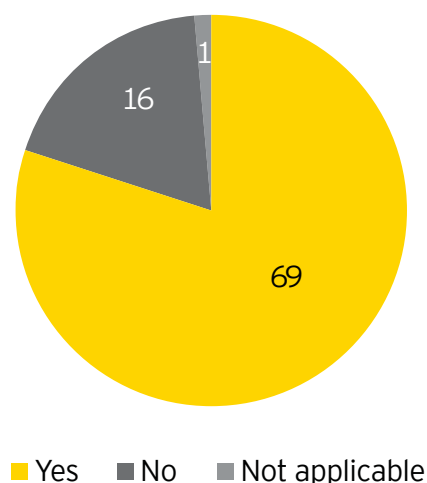


The thirst for big data does not stop short of indirect tax

Be it from foreign or local taxpayers, the basis for any successful tax collection is having a sound set of data. The efficient use of modern technology can lower costs of collection and compliance for tax authorities. Data analytics can allow them to develop sophisticated risk profiles and analyze trends, flag potential audit issues and identify higher-risk cases for deeper investigation – cutting off avenues for fraud before they even occur.

As a consequence, more and more tax administrations worldwide are implementing electronic auditing of a business's financial records and systems. An EY survey of tax professionals conducted in 2014 indicated that in 69 of the 86 countries surveyed, the tax authorities use electronic data extraction to perform tax audits (Figure 3).

Figure 3. Do tax authorities use electronic data extraction to perform tax audits?



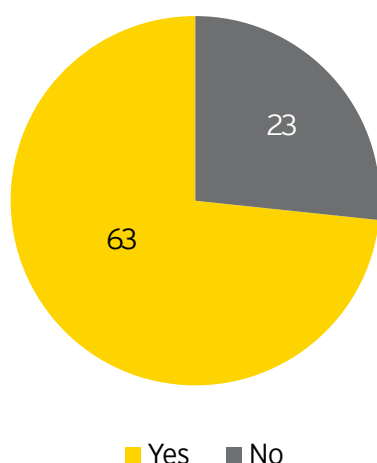
Source: EY global survey: VAT/GST electronic filing and data extraction, EYGM Limited, 2014.

But the way that those audits are carried out will also change. The debate between tax auditors and taxpayers will be less about whether a specific supply should be taxed and more about whether one data set is better than another – in other words, whether the tax authorities' data, which shows a certain correlation or trend, is more accurate or robust than the data of the company being audited. In Germany, for example, an increasing number of disputes with tax authorities center on whether the company has gathered sufficient data and whether it could have avoided mistakes in the VAT treatment of its activities with more encompassing data collection and analytics. In France, new certification requirements for IT accounting systems and cash registers will take effect on 1 January 2018. From that date, businesses that use IT accounting systems or cash registers to record customers' payments should be in a position to provide the French tax authorities with a specific certificate from an accredited organization, or the publisher of the software, that verifies the integrity, security and archiving of the data under scrutiny.

Considering these developments, it is not surprising that the amount of data collected by tax authorities continuously grows. More countries require taxpayers to issue electronic invoices and/or file the data electronically. Recent examples of this trend include Indonesia and Kazakhstan.

In the EY survey, only 23 of the 86 countries (Figure 4) required taxpayers to submit data about transactions, but this number is now also growing. Spain, for example, will start using such a system in 2017. In such systems, taxpayers must maintain and submit VAT books by electronic means. Invoices issued and received for VAT/GST purposes are transmitted electronically to the tax authorities so that they have all the information relating to the operations carried out by VAT/GST taxpayers in real time.

Figure 4. Are taxpayers required to submit data about transactions?



Source: EY global survey: VAT/GST electronic filing and data extraction, EYGM Limited, 2014.

The data available to regulatory authorities, and how it is used, are complicating factors that will affect businesses utilizing a variety of distribution channels – for example, a wholesale channel to sell to distributors, and an e-commerce channel to sell directly to consumers. Notably, different valuations used for multichannel distribution may result in issues with customs authorities. The use of valuation databases by customs administrations seems to be on the rise, and much of the anecdotal experience indicates that misuse is widespread. The International Chamber of Commerce recently issued a Policy Statement titled “The Misuse of Customs Valuation Databases,”⁵ which discusses the increasing use of databases that seem to conflict with the WTO Valuation Agreement and offers a series of recommendations to curtail the practices. In the context of multiple sales channels, which will invariably result in differing import values, the pricing variations will be readily apparent to the authorities. In this respect, the business needs for multiple

sales channels created by digital transformation appear to be on a collision course with the increasing availability of data from the digital transformation of government authorities.

So it does not seem exaggerated to expect that indirect taxes will soon be settled in real time and that periodic filing of VAT/GST returns could soon be history. Other aspects of this development should also be kept in mind. For example, it will be much harder for companies to control their own data, and tax authorities will obtain a great deal more information from external sources and third parties. Banks and credit card processors are already playing an increasing role as de facto tax collectors, with their data routinely being requested for analysis and for validation of transaction level data. In Denmark, the tax authorities can require bank, credit card companies and others handling payment transfers to inform them of payments involving distance sales of goods to Danish customers and electronic services supplied to non-taxable persons in Denmark. In Greece, bank institutions are obliged to withhold the corresponding VAT on transactions paid via credit or debit cards, e-banking or bank deposit and remit it directly to the Greek state. Block-chain technology, which will be widely accepted and used by financial institutions and tax administrations, looks likely to accelerate all these developments.

Governments will exchange data more often to facilitate multi-country tax authority audits. Additionally, indirect tax systems will increasingly rely on the VAT/GST registration status of parties, or their address details, and that information will likely become publicly available. And customers’ data, such as IP addresses and credit card information, will have to be provided to the tax authorities to determine the place of a customer and identify the correct tax treatment, for example.

5. “The misuse of customs valuation databases: Policy Statement, Document No. 104-81, October 2015,” International Chamber of Commerce, 2015.

The impact on business

The digital trends set out in this report continue to transform production, distribution and consumption, and they are having a strong impact on indirect taxes. Companies will be bound to make the necessary investments to keep up with technological developments and to implement new tools required by the authorities. They will also have to stay up to date with rapidly changing rules and policies. These developments are likely to add to the compliance burden for companies, and the increasingly sophisticated audit techniques and data exchanges raise the risk that mistakes are detected systematically. Data management on a global scale – producing the correct data at the right time and in the necessary amount – will be more important than ever. It is likely to come at an additional cost for companies, and it carries the risk that taxpayers will lose control over the data.

But it may also bring advantages, because – by applying the right analysis – companies will be better informed about their own performance and potential tax risks.

More than ever, it pays to proactively manage indirect taxes by establishing a clear indirect tax strategy aligned with the overall business strategy. Not all the trends discussed in this report will have a direct and significant impact on your business activities; however, not knowing which trends affect you and what you should do about them could be seriously damaging.



Eight questions every business should ask about indirect tax

1 Am I up to date on the indirect tax developments in my key markets?

2 Have I considered the impact of tax rate changes on my pricing and margin, and have I taken the necessary measures?

3 Do I know where my customers reside and if I have any tax obligations in those countries?

4 Could changes in my supply chain improve my indirect tax position and/or avoid VAT registrations in foreign jurisdictions?

5 Do I take full advantage of free trade agreements, customs exemptions and duty refund schemes?

6 Do I collect all the data about my customers and transactions that could be required by tax authorities?

7 Do I have the tools to analyze my indirect tax flows and data?

8 Do I comply with all indirect tax requirements in the jurisdictions that I trade with or where I operate?



VAT/GST



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VAT/GST rate changes

Canada

Plans to increase Newfoundland and Labrador's HST rate have been canceled
1 July 2016: HST rate in New Brunswick will increase to 15% (from 13%)

Iceland

1 January 2016: passenger transportation for recreational purposes and services provided by travel agents and travel organizers are taxed at 11% (previously exempt)

Ireland

Reduced rate that generally applies to tourism and hospitality services has been retained

Norway

1 January 2016: reduced rate increases to 10% (from 8%)

1 January 2016: zero rate applies to e-newspapers and e-journals (previously 25%)

Austria

1 January 2015: additional reduced rate of 13% was introduced

Belgium

1 September 2015: electricity for household use now subject to VAT at 21% (previously 6%)

Luxembourg

1 August 2015: reduced rate (8%) applies to imports and intra-EU acquisitions of collector's items and antiques

France

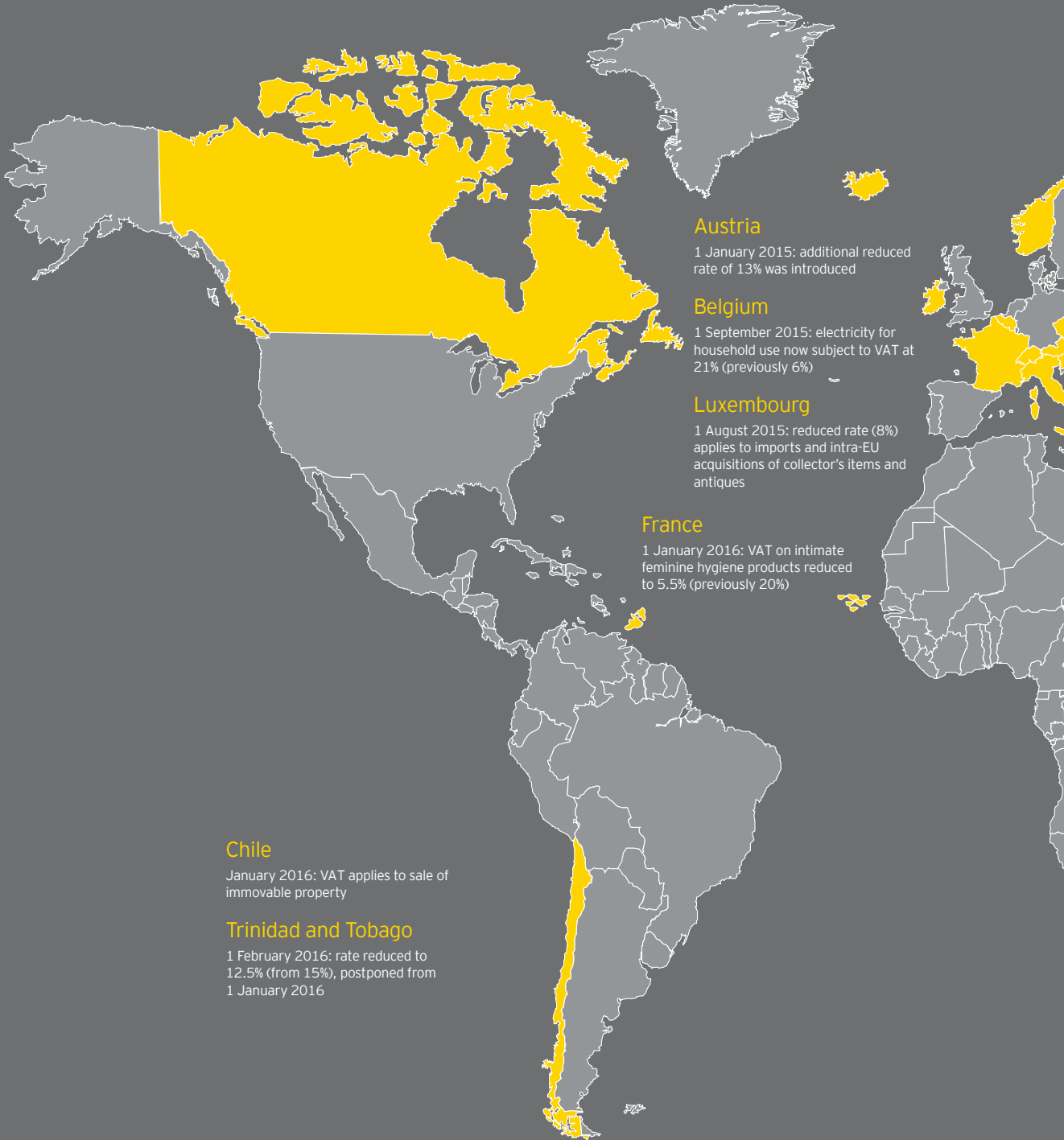
1 January 2016: VAT on intimate feminine hygiene products reduced to 5.5% (previously 20%)

Chile

January 2016: VAT applies to sale of immovable property

Trinidad and Tobago

1 February 2016: rate reduced to 12.5% (from 15%), postponed from 1 January 2016



Plans to introduce a unified rate of 17.5% from 1 January 2016 have been abolished

1 January 2017: reduced rate for accommodation services to be increased to 14% (from 9%)

1 September 2015: standard rate increased to 18% (from 16%)

1 September 2015: introduction of reduced rate of 8% for basic foodstuffs, utilities, medical and pharmaceutical products

2016: temporarily increased rates of 23% and 8% continue to apply until 31 December 2016

1 January 2016: standard rate reduced to 20% (from 24%)
1 January 2017: standard rate reduced to 19%

1 January 2016: range of goods subject to the 10% reduced rate is extended

20 July 2015: goods subject to the reduced rate were limited

1 October 2015: favorable VAT rates applicable in certain Greek islands were abolished

1 October 2015: standard rate reduced to 17% (from 18%)

1 January 2016: 4% reduced rate applies to all e-publishing materials

1 January 2017: standard rate will increase to 24% (from 22%); reduced rate will increase to 13% (from 10%)

1 January 2018: standard rate will increase to 25%

2016: proposed reduction of rate to 9% (from 15%)

1 April 2017: consumption tax will increase to 10% (from 8%), postponed from 1 October 2015, but 8% rate will be retained for certain foods

1 January 2016: standard rate increased to 12.5% (from 11%); reduced rate of 8% introduced

To 30 September 2016: temporary reduction of the standard rate to 7% (from 10%) has been extended

1 August 2015: sales tax applied to domestic providers of mobile phone and internet plans

1 January 2016: standard rate decreased to 15% (from 15.5%)

October 2016: standard rate (currently 16%) may be reinstated on all oil products (currently exempt)

Other VAT/GST changes

Canada

Currently considering GST obligations for nonresident e-commerce businesses

Finland

VAT registration threshold increased to EUR10,000 (from EUR8,500)

Iceland

1 January 2016: foreign businesses providing certain travel-related goods and services are required to register for VAT, subject to the registration threshold

UK

1 January 2016: use and enjoyment provisions apply to repairs made under UK insurance contracts

1 February 2016: domestic reverse charge introduced for wholesale supplies of electronic communication services

Italy

1 January 2016: new penalty regime introduced for VAT reverse-charge mechanism violations

Denmark

1 January 2016: increased controls regarding distance sales of goods and e-services supplied to non-taxable persons

France

1 January 2018: new certification requirements for IT accounting systems and cash registers take effect

Costa Rica

2016: VAT system to be introduced to replace sales tax

Puerto Rico

1 April 2016: VAT system to be implemented

Argentina

1 July 2015: taxpayers required to issue e-invoices

Brazil

1 January 2016: sales of software in Sao Paulo are subject to state VAT on the total sales price (previously twice the value of the carrier medium)

Suriname

Plans to introduce a VAT system have been postponed until further notice

Spain

1 January 2017: new reporting system for invoices expected to come into force

Belgium

1 January 2016: new tax point rules apply

Egypt

Considering introducing VAT system to replace general sales tax regime

Kenya

1 August 2015: all VAT returns must be filed electronically

Namibia

1 January 2016: VAT registration threshold increased to NS500,000 (from NS200,000)

Tanzania

1 July 2015: nonresident suppliers of telecoms and e-services are required to register

Sao Tome and Principe

2017: expected to introduce VAT system

Azerbaijan

1 January 2016: VAT registration threshold increased to AZN200,000 (from AZN120,000)

Belarus

1 July 2016: all VAT payers must issue VAT invoices electronically

Czech Republic

1 January 2016: new control report required to be filed electronically with VAT returns

Hungary

1 January 2016: new rules introduced relating to the obligation to issue tax invoices and input tax deduction rights

Kazakhstan

1 January 2016: use of e-invoices mandatory for certain VAT payers involved in international economic activities

1 January 2017: use of e-invoices mandatory for all VAT payers

Kosovo

1 September 2015: VAT registration threshold decreased to EUR30,000 (from EUR50,000)

1 September 2015: overseas persons who operate in Kosovo through a permanent establishment are required to register, regardless of turnover

Latvia

1 January 2016: reverse-charge mechanism applies to mobile phones, tablets, integrated circuit devices and various timber used as wood fuel

Poland

1 January 2016: new VAT Act implemented

Romania

1 April 2016: substantial changes apply to Form 394 that details supplies and acquisitions

Slovak Republic

1 January 2016: cash accounting introduced

1 January 2016: scope of reverse-charge mechanism extended to all goods supplied by non-established taxpayers

Switzerland

1 January 2017: certain overseas businesses selling goods ordered online to Swiss customers become liable for Swiss VAT



Australia

1 July 2017: GST applies to e-services supplied by overseas business to Australian customers

1 July 2017: low-value imports threshold to be abolished

China

Mid 2016: VAT to be extended to real estate and property, financial and insurance services, and lifestyle services

Until 31 December 2016: cross-border e-commerce pilot is being conducted in Hangzhou

India

Late 2016: proposed introduction of new indirect tax regime consisting of Central GST (CGST) and State GST (SGST)

Indonesia

1 July 2016: mandatory use of e-invoices by all taxpayers

GCC

2018: member states are expected to introduce a VAT system

Russia

1 January 2017: planning to apply VAT to e-services provided by overseas companies to Russian customers

Japan

1 October 2015: consumption tax applies to the provision of digital services provided from overseas to Japanese customers

New Zealand

1 October 2016: subject to the registration threshold, foreign suppliers of "remote services" must register and account for VAT

South Korea

1 July 2015: VAT applies to e-services purchased from abroad

VAT/GST changes

Algeria

Effective 1 January 2016, domestic consumption tax applies to imported products that are similar to those locally produced by certain entities. The rate of tax varies from 5% to 30%.

Effective 1 January 2016, the following VAT rate changes apply:

- ▶ The rate on gas oil and natural gas consumption exceeding 2,500 therms per quarter and on electricity consumption exceeding 250 kW per quarter is increased to 17% (from 7%).
- ▶ The rate for goods used in the manufacture of concentrated mineral vitamins is reduced to 7% (from 17%).

Angola

Effective 21 September 2015, a number of changes to the customs tariff and consumption tax regulation rates entered into force:

- ▶ Consumption tax rates on the import of the following goods increased:
 - ▶ Juice and water: to 40% (from 10%)
 - ▶ Beer: to 60% (from 20%)
 - ▶ Alcoholic beverages: to 70% (from 30%)
 - ▶ Tobacco: to 80% (from 30%)
- ▶ The rates applicable to the domestic production of juice, water, beer and alcoholic beverages also increased, but less than the import rates.
- ▶ Consumption tax was introduced on the domestic production of oil products and their derivatives:
 - ▶ Gasoline: 5%
 - ▶ Diesel: 2%
 - ▶ Lubricating oils: 2%
 - ▶ Propane gas (LPG): 2%

Argentina

Effective 1 July 2015, VAT taxpayers (with specific exceptions) are obliged to issue electronic invoices and must prepare their VAT tax returns directly through web services running on the tax authorities' website (instead of using the specific software that is generally used by taxpayers to prepare most of their tax returns).

The 5% VAT refund for purchases made with debit cards, originally introduced in 2001, has been extended until 30 April 2016.

Certain Argentine provinces have established the initial provisions for implementing a turnover tax withholding system on nonresidents for revenue derived from certain activities carried out in their provinces (for instance, digital services). These developments potentially show a new trend in the provincial taxation of cross-border transactions.

Armenia

The VAT registration threshold has been increased to AMD115,000,000 (from

AMD58,350,000) for calendar year 2016.

Australia

Effective 1 July 2017, the supply of intangibles (such as digital products, intellectual property, and consultancy and professional services) by an overseas business to Australian consumers (i.e., business-to-consumer supplies) will be subject to GST. The latest draft of the legislation provides mechanisms that could reduce Australian GST compliance obligations for overseas businesses with no presence in Australia by:

- Shifting the liability to pay GST to the Australian operator of an electronic distribution platform (where such a platform is used to make the intangible supplies to Australian consumers)
- Or allowing overseas businesses to opt for a limited GST registration. In this instance, there would be no entitlement to deduct GST included in any costs incurred in Australia.

Effective 1 July 2017, the low-value threshold for GST (currently AUD1,000) that currently applies to goods imported into Australia will be abolished. Once it is implemented, goods (regardless of value) imported into Australia after this time will be subject to GST. The mechanism for levying and collecting the GST remains unclear at present, but this may involve overseas businesses with an Australian turnover of AUD75 registering for Australian GST and having to collect GST from Australian consumers and remitting it to the Australian Taxation Office.

Austria

Effective 1 January 2016, an additional reduced rate of VAT was introduced at 13%. The 13% rate applies to most goods and services that were previously subject to the reduced rate of 10%, except for certain foodstuffs and pharmaceutical products. However, the VAT rate increase to 13% for hotel accommodation and entrance fees to certain events will apply only from 1 May 2016, with services performed before 31 December 2017 that were booked and (partly) paid by 31 August 2015 continuing to be subject to the reduced VAT rate of 10%.

Effective 1 January 2016, taxable businesses are generally required to issue receipts to all customers for cash

transactions. Also, an electronic cash register is generally obligatory, but exceptions should be checked case by case. Further, as of January 2017, the technical requirements for electronic cash registers will be tightened with regard to anti-tamper protection.

Effective 1 January 2017, the VAT margin scheme for travel agents will apply to all customers, including taxable persons, provided that the travel services are consumed for private purposes at the end of the transaction chain. This scheme currently applies only to travel services provided to final consumers.

Azerbaijan

Effective 1 January 2016, the VAT registration threshold increased to AZN200,000 (from AZN120,000).

Bahamas

Effective 1 July 2015, VAT became chargeable on non-life insurance services at the standard rate of 7.5% (in a local-to-local context) or 0% (in a local-to-nonresident context). From that date, only life insurance and insurance-based annuities and savings plans remain exempt from VAT.

Based on Ministry of Finance communications, the initial general understanding was that insurers without a local physical operating presence would not be required to register and charge VAT, even with respect to risks falling within the scope of VAT as of 1 July (e.g., Bahamian property, motor or liability insurance). However, we now understand that insurers without a local physical presence in the Bahamas should register for VAT, especially those who hold a local insurance license and generate premium income greater than USD100,000 (EUR92,250) a year on Bahamian non-life policies.

The country's most recent budget sets out proposed changes to the VAT Act that seek to strengthen safeguards against nonpayment of taxes building up in the accounts of businesses with an annual turnover of less than BSD5 million. The changes proposed in the budget include:

- ▶ The monthly remission of taxes collected by taxpayers who file returns on a quarterly and biannual basis
- ▶ Taxes collected by VAT-registered businesses to be kept in a separate account
- ▶ VAT-registered businesses must provide electronic files with particulars of VAT invoices, tax credits and debit notes issued or received by those businesses
- ▶ Clarification of the Comptroller's investigatory powers
- ▶ Clarification of the rules on input tax credits for insurance companies and casinos
- ▶ Clarification of the definitions of *international transport services* and *public entertainment*
- ▶ The inclusion of anti-avoidance legislation relating to insurance contracts

Bahrain

Bahrain, along with the other member states of the Gulf Cooperation Council (GCC),¹ is expected to introduce a VAT system. The timeline has not been set, although recent information indicates that VAT will likely be implemented in 2018.

The GCC VAT system is expected to be implemented across the common economic zone. The member states are looking to introduce VAT regionally and simultaneously rather than unilaterally and at different times. However, once the final framework and a deadline have been set, some countries may implement national legislation ahead of others.

Barbados

Effective 1 January 2016, the VAT registration threshold was increased from BBD80,000 to BBD200,000

(approximately EUR92,250 or USD100,000) per year.

1. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates

Belarus

Effective 1 July 2016, all VAT payers must issue VAT invoices electronically.

Belgium

Effective 1 September 2015, the VAT rate applicable to supplies of electricity for household use increased from the reduced rate of 6% to the standard rate of 21%.

Effective 1 January 2016, the standard rate of 21% applies to newspapers or magazines that publish at least 48 times per year in a digital format (previously zero-rated). For the supply of hard-copy newspapers and magazines, the zero rate remains applicable.

Effective 1 January 2016, the supply of aesthetical surgery by doctors or hospitals is no longer be VAT-exempt to the extent that the aesthetical surgery is not (partially or fully) reimbursed by the RIZIV-INAMI (Commission for Drug Reimbursement). As a result, the VAT exemption for aesthetical surgery applies only to treatments with a therapeutic nature.

Effective 1 January 2016, new rules for tax points entered into force. The basic tax point for accounting for VAT on the supply of goods and services in business-to-business (B2B) transactions is the date that the related tax invoice is issued. However, if no invoice is issued before the 15th of the month following the supply, VAT is chargeable on that date. If a (partial) payment is made before the supply, VAT is chargeable on the date of payment. The rules for intra-community supplies of goods and services do not change, nor does the cash-based regime for most business-to-consumer (B2C) supplies. For supplies of movable goods and services made to public bodies (B2G supplies), the Government now provides for a cash-based regime, except where the reverse charge applies.

Effective 1 January 2016, the VAT exemption for domestic small businesses increased from EUR15,000 to EUR25,000. The threshold for nonresident taxpayers remains zero.

Effective 1 April 2016 (postponed from 1 January 2016), the services of a legal person serving as a board member, director or liquidator of a company are subject to VAT.

The Belgian tax authority announced in December 2015 that the 6% reduced VAT rate on renovations of private dwellings will be maintained in 2016 for dwellings that are at least 10 years old (previously 5 years). The 6% VAT rate will also continue to apply to ongoing renovations of private dwellings that are 5 years old, provided that these conditions are met:

- ▶ The request for a renovation permit was submitted by 31 December 2015.
- ▶ The contractor will issue the invoices by 31 December 2017 at the latest.

Effective 1 July 2016, public bodies will become taxable persons for activities where there is a potential distortion of completion with other taxable persons and the total revenue of the activity exceeds the threshold of EUR25,000.

Bolivia

Effective July 2015, payment supports for transactions of approximately BOB50,000 or more (approximately EUR6,500 or USD7,000) are reported on an annual calendar basis (previously it

was monthly), regardless of the taxpayer's fiscal year-end. The report is due for submission between 5 and 9 February, depending on the last digit of the taxpayer's identification number (NIT).

Brazil

Effective 1 January 2016, sales of software in the state of São Paulo will be subject to State VAT (ICMS) on the total sales price, which includes the software value, plus the electronic medium and any

other amounts charged to clients. Under the prior rules, ICMS was calculated only on an amount equal to twice the value of the carrier medium (e.g., compact disc or flash drive).

Bulgaria

Effective 1 January 2016, the penalties for not charging VAT or charging VAT late are amended. The fine is 5% of the late-charged VAT if it is charged not later than 6 months and 10% if it is charged not later than 18 months. After the 18th month, the penalty remains 100% of the late-charged VAT.

Effective 1 January 2015, the claimable percentage for partial-input VAT deduction should always be rounded up to two decimal places.

Effective 1 January 2016, more precise rules were introduced for self-supplies.

Canada

The proposed increase of the provincial component of the harmonized sales tax (HST) from 8% to 10% in Newfoundland and Labrador from 1 January 2016 has been canceled. The existing combined HST rate of 13% still applies.

Effective 1 July 2016, the provincial portion of the HST rate in New Brunswick will increase from 8% to 10%, resulting in a HST rate of 15%.

Canada's Government is consulting on potential GST obligations for nonresident e-commerce businesses.

Cape Verde

Effective 1 January 2016, Cape Verde reduced its standard VAT rate to 15% from the 15.5% temporary rate introduced on 1 January 2015.

Effective 1 July 2016, the provincial portion of the HST rate in New Brunswick will increase from 8% to 10%, resulting in a HST rate of 15%.

Chile

Effective January 2016, VAT applies to the sale of immovable property.

China

The VAT pilot program that began in China in January 2012 will apply to the following services in early to mid-2016 (no exact date has been announced).

- ▶ Real estate and property transactions
- ▶ Financial services and insurance transactions
- ▶ Lifestyle services (e.g., supplied by the hotel, food and beverage industries)

Effective 1 December 2015, the zero-rate VAT regime was extended to the following services, provided to overseas clients by domestic entities or individuals:

- ▶ The production and distribution of radio, film and television programs
- ▶ Technology transfer services, software services, circuit design and testing services, information system services, business process services, and contract energy management services for subjects located overseas

- ▶ Offshore business service outsourcing, including information technology outsourcing, business process outsourcing and knowledge process outsourcing

Under the zero-VAT policy, export services are exempt with credit (i.e., the related input VAT can be credited or refunded).

Effective 1 July 2015, taxpayers receive a 50% VAT refund (subject to certain conditions) if they sell self-produced new wall-building materials or self-generated wind-powered electricity.

Until 31 December 2016, cross-border e-commerce in the Hangzhou pilot area is exempt from VAT.

On 12 January 2016, the Chinese Government announced the extension of this pilot in 12 more cities – Tianjin, Shanghai, Chongqing, Hefei, Zhengzhou, Guangzhou, Chengdu, Dalian, Ningbo, Qingdao, Shenzhen and Suzhou.

Costa Rica

The Costa Rican Government has submitted a proposal to replace the existing sales tax system with a VAT system in which services would generally be taxable and only a limited number of goods and services would be exempt. The plan is to implement VAT at a rate of 13% in 2016, rising to 15% in 2017.

The key features of the VAT law include the following:

- ▶ VAT would generally apply to the sale of goods and the supply of all types of services within Costa Rica, as opposed to a very limited number of services under the current sales tax system.
- ▶ The recovery of input tax (VAT charged on goods and services supplied to the taxpayer for business purposes) would be regulated by a new set of rules.
- ▶ The VAT rate would gradually increase from the current 13% to 14% for the first year after the VAT law takes effect, and to 15% for the second and subsequent years.

- ▶ A reduced rate of 5% would apply to certain items, including:
 - ▶ The purchase of packing materials, as well as raw materials used in the production of packing materials
 - ▶ Services used in the production of agricultural or agro-industrial products
 - ▶ Plane tickets for flights initiating in Costa Rica (domestic or international)
- ▶ Exemptions from VAT include:
 - ▶ Certain basic foods listed in the VAT law
 - ▶ Exported goods
 - ▶ Commissions and interest derived from loans and financings granted by entities regulated or supervised by certain local public authorities or the stock market regulator
 - ▶ Rental income for real estate exclusively used for housing, provided the monthly rent does not exceed a base salary

Costa Rica (continued)

- ▶ Private education services
- ▶ Self-consumption of electric power produced from solar panels
- ▶ The transfer of all of the taxpayer's assets or one or several lines of its

business by means of a corporate reorganization, a stock purchase, an in-kind contribution, a merger or a bulk sale would not be subject to VAT when the transferee continues the activities of the transferrer.

Croatia

Effective 8 December 2015, the Croatian VAT Bylaw was amended, resulting in the following changes:

- ▶ The donation of food to nonprofit organizations performing humanitarian work in line with special regulations, and registered as mediators in the food donation chain, is not considered a taxable supply.
- ▶ Foreign exchange differences arising in finance lease arrangements due to a foreign currency clause are exempt from VAT.
- ▶ The special tax on motor vehicles will not be included in the VAT base with respect to supplies made by car dealers

and leasing companies where the special tax is transferred to the acquirer of the vehicle or lessee.

- ▶ Documents prescribed for the customs transit procedure should be used to prove VAT exemption for goods in transit.
- ▶ The pro rata percentage applied by taxpayers to input VAT in the first accounting period of a current year is calculated by reference to the actual pro rata percentage calculated on the basis of the previous year's supplies, instead of the percentage that was temporarily applied in the previous year.

Czech Republic

The plans to introduce a unified VAT rate of 17.5% from 1 January 2016 were abolished.

Effective 1 July 2015, the reverse-charge mechanism was extended to supplies of certain crops and cereal grains and applies where the total tax base of all delivered selected goods exceeds CZK100,000 (approximately EUR3,700 or USD4,000).

Effective 1 September 2015, the reverse charge applies to supplies of sugar beet.

Effective 1 January 2016, a new control report (a detailed list of input and output transactions) was introduced. Czech VAT payers are now obliged to submit this report electronically together with their VAT returns. Only taxable persons registered for VAT in the Czech Republic (with assigned CZ VAT ID numbers) must submit the VAT Control Statement.

Transactions to be declared in the VAT Control Statement include:

- ▶ Domestic taxable supplies or receipt of advance payments (lines 1, 2 or 25 of the Czech VAT return)
- ▶ Domestic acquisition of goods or services or receipt of advance payments (on lines 40, 41 or 10 and 11 of the Czech VAT return)
- ▶ Purchases for which the acquirer is obliged to declare VAT according to Article 108 section 1b) and c) of the VAT Act (lines 3, 4, 5, 6, 9, 12 and 13 of the Czech VAT return)
- ▶ The special scheme for investment gold applies to the following:
 - ▶ The provision of intermediary services for which VAT is applied according to Article 92 section 5 of the VAT Act

Czech Republic (continued)

- ▶ The supply of VAT-exempt investment gold for which a taxable person registered for VAT is entitled to deduct VAT pursuant to Article 92 section 6b) and c)
- ▶ The production of investment gold or transformation of gold into investment gold according to Article 92 section 7 of the VAT Act

If none of the above transactions are carried out in the respective period, the VAT Control Statement does not need to be submitted (i.e., it is not necessary to file "nil" returns). A VAT return must still be submitted.

The VAT Control Statement has been introduced to detect and prevent tax evasion and fraud. Its aim is to enable the tax authority to obtain information on selected transactions carried out by taxable persons registered for VAT and, together with other available information, to identify suspicious groups of taxable persons that are illegally withdrawing funds from the public budget (such as chains or carousel frauds). The VAT Control Statement is based on records that taxable persons registered for VAT are already obliged to keep under Article 100 of the VAT Act. It is not a substitute for the VAT return or the Recapitulative Statement for intra-community supplies. Nevertheless, the statement will include declarations of transactions subject to the domestic reverse-charge regime (and separate submission of the domestic reverse-charge statement will not be required as of 1 January 2016).

The deadlines for submitting the VAT Control Statement are as follows:

- ▶ For legal-entity VAT groups, the statement must be filed no later than the 25th day after the end of each month
- ▶ For individuals, the statement must be filed on the same day as the VAT return (i.e., no later than the 25th day after the taxable period: month, quarter or special taxable period)

If a taxable person who is registered for VAT does not submit a VAT Control Statement by or on the due date, the following penalties apply:

- ▶ CZK1,000 (approximately EUR37 or USD40) if the statement is submitted after the due date without a summons from the tax administration
- ▶ CZK10,000 (approximately EUR370 or USD400) if the statement is submitted within the deadline given by the tax administration in an issued summons
- ▶ CZK30,000 (approximately EUR1,100 or USD1,200) if the Corrective VAT Control Statement is not submitted although a summons was issued
- ▶ CZK50,000 (approximately EUR1,850 or USD2,000) if the regular VAT Control Statement is not submitted, even after a summons by the tax administration
- ▶ If a taxable person registered for VAT seriously violates or obstructs the administration of VAT by not submitting the VAT Control Statement, the tax administrator can impose a sanction up to CZK500,000 (approximately EUR18,500 or USD20,000) depending on individual conditions.

Effective 1 January 2016, the following changes apply to the supply and leasing of selected real estate:

- ▶ The range of building plots subject to VAT has been widened.
- ▶ A substantial building renovation will restart the time test for a property transfer exemption.
- ▶ An option to choose the mode of taxation for undeveloped land has been introduced.

Effective 1 February 2016, the reverse-charge procedure applies to the supply of electricity and gas to a trader via a distribution system or network, and to the transfer of guarantees of the origin of an energy source. The application of the reverse charge for these commodities is no longer subject to the CZK100,000 threshold. The Czech Government has also proposed that the vendor and customer should be able to agree in writing that the reverse-charge procedure will apply to the supply of selected goods that do not exceed CZK100,000, thus freeing VAT payers from legal uncertainty and the administrative burden of the threshold calculation.

Czech Republic (continued)

The domestic reverse-charge on selected products (e.g. laptops, mobiles, metals, cereals) generally applies only where the total tax base of all delivered selected goods exceeds CZK 100,000 (c. €3,700/\$4,000). Effective 1 February

2016, the vendor and customer can agree in writing that the reverse charge procedure applies to the supply of selected goods that do not exceed this threshold.

Denmark

Effective 1 July 2015, the reverse-charge mechanism was introduced for electricity and gas transactions.

Effective 1 January 2016, the Danish authorities increased controls regarding distance sales of goods and e-services supplied to non-taxable persons. The authorities can require banks, credit card

companies and others handling transfer of payments to inform them of payments involving distance sales of goods made to Danish customers and electronic services supplied to non-taxable persons in Denmark.

Egypt

Egypt previously announced that it was planning to replace the country's existing general sales tax regime with a full VAT system. However, there have been reports that the proposed introduction

of VAT is in doubt. Specifically, Egypt is now considering amending or adding to the existing sales tax law instead of introducing VAT. However, no official announcement has been made.

Estonia

Effective 1 January 2017, the reduced rate for accommodation services and for bed-and-breakfast services, excluding any

goods or services accompanying such services, will be 14% (currently 9%).

European Union (EU)

The European Commission has announced that, as part of its 2016 Work Programme, it will deliver a number of new initiatives, including an action plan on VAT that aims to deliver efficient and fraud-proof VAT regimes. It will include initiatives on VAT rates and a proposal on VAT for electronic commerce in the context of the Digital Single Market Strategy, as well as a communication setting out the definitive VAT regime. The Commission also intends to withdraw a number of existing VAT proposals that have made little progress or that

have seen their significant simplification potential unacceptably watered down. Specifically, the Commission intends to withdraw its proposals for reform of the VAT rules (exemptions) for insurance and financial services. (The proposals date from 2007, and no agreement is foreseen.) It also plans to pull its proposal to introduce an EU standard VAT return. Negotiations have resulted in a draft compromise text that has fully denatured the substance of the Commission's proposal. The latest developments, in particular, have run counter to its

European Union (EU) (continued)

simplification, harmonization and substantial burden reduction objectives. The Commission intends to withdraw these proposals by April 2016.

The current minimum standard rate of VAT in Member States, set at 15%, has been extended for two years, until 31 December 2017.

The Commission has set up the EU VAT Forum, where business and tax authorities strive to improve the way VAT works in practice. Within the framework

of the VAT Forum, a project is being undertaken related to cross-border rulings. At this stage, 16 Member States are participating. The intention is to improve legal certainty for companies about the VAT treatment of their cross-border transactions, which can give rise to a degree of uncertainty. Among other conditions, a business or a participating Member State can request cross-border rulings if the transaction is complex and has a cross-border aspect involving two or more participating Member States.

Fiji

Fiji's 2016 budget announced a proposal to reduce the single VAT rate from 15% to 9%.

Other budget proposals include:

- ▶ Removal of basic food items, kerosene, tinned fish and certain medicines from the list of zero-rated supplies
- ▶ An expected increase in the service turnover tax (STT) from 5% to 10% – a tax levied on hotel accommodations, restaurants and cafes, cinemas, car hires and tour operators
- ▶ A new environmental tax of 6% on businesses subject to STT
- ▶ A shift by the tax authority to focus on streamlining administrative processes and broadening the tax base
- ▶ A tax amnesty – available from 1 January 2016 to 30 June 2016 – allowing taxpayers to regularize undisclosed assets; under the amnesty, no tax charge or penalty will be imposed, and income streams associated with these assets will be taxable with effect from 2017

Finland

The annual VAT registration threshold for 2016 is increased to EUR10,000 (from EUR8,500). Simultaneously, the law concerning the obligation to offer a receipt for cash payments was amended so that it applies only to business operators with turnover exceeding EUR10,000 per year.

The gradual VAT liability relief threshold for 2016 has increased to EUR30,000 (from EUR22,500).

Effective 1 January 2016, the Intrastat thresholds are EUR550,000 for arrivals and EUR500,000 for dispatches.

France

Effective 1 January 2016, the following changes apply:

- ▶ The VAT threshold for distance sales made to customers in France by a supplier established in another EU Member State is reduced from EUR100,000 to EUR35,000.
- ▶ In the case of VAT fraud, the exclusion of the input VAT right is extended to services.
- ▶ The VAT rate applicable to intimate feminine hygiene products is reduced to 5.5%, which is the reduced rate that applies to "products of first necessity." Previously, these products were subject to the standard VAT rate of 20%.

France (continued)

- ▶ The scope of the VAT reduced rate of 5.5% is extended to particular performances and now applies to:
 - ▶ Variety shows during which food and/or beverages are usually provided to the customers (only if the establishment is affiliated with the French National Center for Song, Variety and Jazz).
 - ▶ Entrance fees paid to access disc-jockey shows performed in establishments that are optionally serving beverages. For the purpose of this amendment, the notion of “concert” included in the law is substituted by the notion of “original interpretation of pieces of music which requires the physical presence of, at least, one person who qualifies for the status of entertainer and is remunerated by the establishment as such.”
- ▶ The VAT rate applicable to agricultural products not used for human nutrition or for agricultural production purposes was increased to 20% (following

the reasoned opinion addressed to France by the European Commission on 26 March 2015). The objective of this change is to ensure that the intermediate rate of 10% exclusively applies to agricultural and related unprocessed products that are usually included in the preparation of foodstuffs or the production, processing and/or distribution of agricultural products.

Effective 1 January 2018, new certification requirements for cash register software or systems will take effect. Businesses must be able to provide the French tax authorities with a specific certificate issued by an accredited organization or a nominative certificate issued by the publisher of the software. This certificate is aimed at ensuring the integrity, security and archiving of the data subjected to scrutiny by the French tax authorities. Failure to provide a certificate can trigger a EUR7,500 penalty for each relevant piece of software. The application of the penalty can be renewed for each 60-day delay in presenting the certificate.

France and overseas departments (French Guiana, Guadeloupe, Martinique and Reunion)

On 13 November 2015, the Amending Finance Bill for 2015 presented by the Government stated that products of agricultural origin that are not intended for use in food products or in agricultural

production will be excluded from the 10% reduced rate. However, flowers that have not undergone any transformation remain within the scope of the reduced rate.

Germany

Following the Court of Justice of the European Union (CJEU) decision in C-93/10 Finanzamt Essen-NordOst v GFKL Financial Services AG (GFKL), the German tax authorities have advised that investments in German nonperforming loans are no longer subject to VAT.

The German Federal Ministry of Finance issued a circular on 12 November 2015

advising that the German VAT Code Application Decree has been amended and that it had changed its opinion on the VAT treatment of outsourced fund management services. The German tax authorities previously took the view that fund administration services qualified for the VAT exemption only if the outsourcing service provider rendered services comprising every single fund

Germany (continued)

administration activity that the tax authorities defined in a catalog. The tax authorities now simply distinguish between two categories of fund administration services:

- Services that can be exempt from VAT on a stand-alone basis
- Services that can be exempt from VAT if rendered in conjunction with services of the first category

Services within the first category are:

- Fund accounting
- Valuation and pricing

- Fund controlling
- Issuing and redemption of shares

With this change, the tax authorities have turned away from a concept of exempting outsourced fund administration services only as a whole and have turned toward a concept of (conditionally) exempting single outsourced fund administration services. An additional change is that risk management services now also qualify as (non-fund administration) fund management services eligible for the VAT exemption in case of outsourcing.

Ghana

Effective 30 December 2015, the Value Added Tax (Amendment) (No. 2) Act, 2015, Act 904 entered into force. The following now apply:

- The VAT registration threshold for a person who is engaged in a taxable activity has been increased from GHS120,000 to GHS200,000.

- The Minister of Finance is now required to set aside up to 6% of the total revenue collected by the Ghana Revenue Authority (GRA) and place it in the GRA General Refund Account. This is to enhance the capacity of the GRA to meet claims for refunds by taxpayers.

Greece

Effective 20 July 2015, significant changes to the VAT legislation were introduced, including:

- The following goods are subject to the standard rate of 23%: packaged foodstuffs, sugar, vinegar, salt, coffee, tea, spices, fats, flowers and some plants, cocoa, prepared or otherwise-processed meat and fish, and food preparations of specific tariff headings, animals and fertilizers.
- The following services are subject to the standard rate of 23%: transportation of passengers and their luggage, restaurant services, tickets for cinemas, concerts and other events, toll manufacturing services with respect to goods subject to a reduced VAT rate, and specific medical and dental services (excluding those exempted under Article 22 of the VAT Code).

- A new super-reduced VAT rate of 6% replaced the previous 6.5% rate. The rate applies to printed books falling under TARIC code (tariff) heading 4901 and newspapers and magazines falling under tariff heading 4902. The rate is also applicable to (i) medicaments falling under tariff headings 3003 and 3004 and vaccines for human medicine falling under tariff headings 3002; (ii) children's pictures, drawing or coloring books falling under tariff heading 4903; and (iii) theater tickets.
- Goods and services subject to the 13% reduced VAT rate were limited, and they now explicitly include:
 - Goods: electricity, gas, water supply, vegetables, olive oil, milk and other dairy products, cereals, waters, edible fruit, preparations for child nutrition packaged for retail sale, and specific kinds of pasta

Greece (continued)

- ▶ Services: provision of home care service for children, elderly, sick and disabled people in general
- ▶ Effective 1 October 2015, accommodation services in hotels and similar establishments, including the provision of holiday accommodations and the rental of places in camping or caravan sites, were reclassified as subject to VAT at 13%.
- ▶ Favorable VAT rates (reduced by 30%), applicable in certain Greek islands, were abolished as follows:
 - ▶ Favorable VAT rates in developed islands with the highest income per capita (namely Rhodes, Skiathos, Mykonos, Santorini, Naxos and Paros) were abolished as of 1 October 2015.
 - ▶ Favorable VAT rates applicable in less-developed islands will be abolished as of 1 June 2016.
 - ▶ Favorable VAT rates applicable in remote islands will remain in force until 31 December 2016.
- ▶ Measures were introduced for the immediate withholding and remittance of VAT from banks and similar financial institutions. Retail transactions exceeding EUR1,500 and other transactions between businesses exceeding EUR3,000 settled through a bank (especially via credit or debit cards, e-banking, and deposits for the purpose of settling an invoice or bank check) result in an immediate withholding and remittance of VAT by the bank to the Greek State within five days of the payment date. The bank grants a certificate for the attributed VAT amount to the VAT taxable persons involved so that the respective output VAT amount (remitted to the Greek State) may be taken into account for the completion of the VAT return. The withholding bank should charge no fee or expenses for supplying this service.

Gulf Cooperation Council (GCC)

The GCC member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) are expected to introduce a VAT system. The timeline has not been set, although, according to recent information, the VAT could be introduced by early 2018. During 2016, the GCC states are likely to focus on building awareness with readiness programs for businesses in the region, with an 18- to 24-month period to allow companies and tax authorities to train staff and implement systems and processes to handle the requirements of the new VAT regime.

The GCC VAT system is expected to be implemented across the common economic zone. Member states are still looking to introduce VAT regionally and simultaneously rather than unilaterally and at different times, mainly driven by the risk of unfair competitiveness. However, once the final framework and a deadline have been agreed upon, some countries may implement national legislation ahead of others.

Hungary

Effective 1 January 2016, the following VAT law changes apply:

- ▶ A new taxpayer qualification system was introduced. Under this system, taxpayers may qualify as "reliable" or "risky" based on certain aspects of their operations, their tax and legal status as well as their law-abiding practices. Those taxpayers that would be classified as "reliable" would benefit from reduced tax authority deadlines

Hungary (continued)

in the case of tax audits and VAT refunds, as well as reduced penalties for missing or incomplete filings and tax underpayment. With "risky" taxpayers, tax audit deadlines would be extended and late-payment charges as well as noncompliance and tax penalties would be increased. Mandatory tax audits upon liquidation would be restricted to "risky" taxpayers.

- ▶ Invoicing software/ERP systems of Hungarian VAT taxpayers must have a special data export function to allow the taxpayer to perform data queries if requested by the tax authority. The range of data that must be included in the report and the data structure of the report are predefined by law. Taxpayers should comply with the following requirements:
 - ▶ All invoice-related data recorded in the invoicing software should be able to be exported ("data export") to an external data storage module (e.g., hard drive, USB, DVD).
 - ▶ The extracted data must be provided to the tax authority in a predetermined XML/XSD data structure.
 - ▶ The query function should be integrated into the invoicing software.
 - ▶ The software should ensure that the tax authority can execute the data export either with respect to data for all the invoices issued between the first and last day of a selected period or with respect to the data of all invoices issued between a selected first and last invoice number sequence.
 - ▶ The invoicing software documentation should contain the (step-by-step) description of the data export function.
- ▶ New time-of-supply rules apply to continuous supplies and to supplies that are settled periodically:
 - ▶ In general, the date of supply is the last day of the period in question.
 - ▶ If the date when the invoice was issued and the payment deadline both fall before the last day of the period concerned, the issue date of the invoice is the date of supply.
 - ▶ If the payment deadline falls on a later date than the last day of the period in question, but not later than the 60th day following the last day of that period, the payment deadline is the date of supply.
 - ▶ If the payment deadline is later than the 60th day following the last day of the period in question, the date of supply is the 60th day following the last day of the period in question.
- ▶ Invoice-issuing obligation: enterprises performing tax-exempt international air passenger transport will be exempt from the invoice-issuing obligation for this activity provided they issue accounting documents on the services in accordance with the Act on Accounting. As with services that are provided remotely to non-taxable persons, taxpayers will be exempt from the invoice-issuing obligation on the condition that they issue receipts. In the case of remotely provided services, taxpayers will be exempt from the obligation to record the amount of recharged VAT on the invoice in Hungarian forint (HUF) as well. However, in both cases, the invoice-issuing obligation will still prevail if the receiver of the service requests it.
- ▶ Exercising input tax deduction rights: based on the new general rule, applicable as of 2016, input tax deduction rights can be exercised in the year they arise and during the next calendar year, in any tax-reporting period based on the decision of the taxpayer. After this date, the taxpayer will still be able to exercise its input tax deduction rights until the end of the fifth calendar year. However, the taxpayer will need to self-revise (resubmit) its VAT return that covers the reporting period in which its input tax deduction rights arose.

Hungary (continued)

- Default penalty: the tax authority may not impose a penalty immediately for taxpayers not required to register in the commercial registry (e.g., individuals, private entrepreneurs, foreign companies registered for VAT purposes in Hungary) in case of noncompliance with or defective performance of the reporting, tax return and data provision obligation. Rather, it must first warn the taxpayer to fulfill its obligations. Default penalties can be imposed only if the warning is unheeded.

New e-invoicing and e-archiving rules are planned for introduction on 1 July 2016. Details are not yet available.

Since 1 March 2015, the domestic and intra-community road transportation of goods requires the obtaining of an EKAER registration number from the tax authority for each shipment with detailed information on the delivery. Intensified EKAER audits are being launched by the tax authority. These inspections are similar in rationale and process to the ones initiated to discover VAT fraud. Under these checks, the tax authority compares the data recorded in the EKAER system with the data shown in various official databases, on the documents requested from the taxpayer (e.g., on shipment documents, contracts and purchase orders) and in the VAT returns.

Iceland

Effective 1 January 2016, passenger transportation for recreational purposes and services provided by travel agents and travel organizers (previously exempt) will be subject to VAT at the reduced rate (currently 11%). This will apply to both domestic and foreign entities when providing such services in Iceland. However, these services will be exempt from VAT when they include international transportation and/or the sale of services and goods used outside Iceland.

Effective 1 January 2016, admissions to spas and bathhouses will be subject to VAT at the reduced rate (currently 11%).

Effective 1 January 2016, foreign businesses (such as tour operators) that buy and resell travel, accommodations and certain other tourism-related goods and services must register and account for Icelandic VAT where those supplies are used and enjoyed in Iceland (e.g., Icelandic hotel rooms) and the registration threshold of ISK1 million has been reached.

India

The Indian Government has been working on replacing the current indirect tax regime with a comprehensive GST. In its current form, the GST proposes to be a "dual" levy, consisting of Central GST (CGST) and State GST (SGST). The introduction of GST requires an amendment to the Constitution of India. A bill to amend the Constitution had

been expected to pass in 2015, but the effort stalled amid political opposition. It appears that the Government will again try to pass the bill in the budget session (expected between the third week of February and May 2016). With this backdrop, the GST rollout date is expected to be later in 2016.

Indonesia

Effective 1 July 2016, all taxpayers nationwide must use electronic VAT invoices.

The rules, which apply to VAT registered taxpayers, stipulate the following:

- ▶ It is compulsory for the taxpayer to prepare electronic VAT invoices for:
 - ▶ The supply of taxable goods and taxable services within the customs zone
 - ▶ The delivery of taxable goods in the form of an asset where the initial purpose is not for trade

There are exemptions from the requirement for electronic VAT invoices for the supply of taxable goods or services from:

- ▶ A retailer
- ▶ A retail shop that sells to foreigners
- ▶ Taxpayers who may use other documents instead of VAT invoices, e.g., tax payment receipts for the use of foreign intangible goods or receipt of supply of telecommunication services

The format and information disclosed in the electronic VAT invoice are similar to the non-electronic invoice, but with an electronic signature.

- ▶ The invoice must use the Indonesian rupiah as the currency. Foreign currency invoices must be converted using the Minister of Finance rate on the date the electronic invoice is made.

- ▶ For canceled invoices, the taxpayer issuing the invoice must cancel the electronic invoice by using the application provided by the Director General of Taxation (DGT). If the information is incorrect, the taxpayer may create a replacement invoice through the application system.

Each electronic VAT invoice must be uploaded to the DGT application and approved by the DGT. Electronic invoices without approval from the DGT are not considered VAT invoices. However, it is not compulsory to print a hard copy of the electronic VAT invoice.

- ▶ For lost or damaged data, the taxpayer can ask for the data from the DGT through the tax office where the taxpayer is registered, provided that the data has been uploaded to the DGT application.
- ▶ The taxpayer may also choose not to use electronic VAT invoices and to use hard-copy VAT invoices instead in certain situations, e.g., during war, riots, natural disasters, strikes or fires. However, the data must be uploaded to the DGT application after the event that caused the suspension of e-invoicing.

Iraq

There is no VAT or GST system in Iraq, although a sales tax (currently 10%) applies to certain supplies.

Effective 1 August 2015, sales tax was applied to domestic providers of mobile phone and internet plans.

Ireland

The reduced VAT rate of 9% that generally applies to tourism and hospitality services has been retained for another year.

Effective January 2016, the annual exemption thresholds for Intrastat purposes are EUR500,000 for arrivals

and EUR635,000 for dispatches, and the delivery terms thresholds are EUR5 million for arrivals and EUR34 million for dispatches. These reporting thresholds apply on a calendar-year basis.

Israel

Effective 1 October 2015, the standard rate of VAT in Israel was reduced from 18% to 17%.

Italy

The proposal to increase 10% and 22% VAT rates by 2 percentage points from 1 January 2016 has been postponed to 1 January 2017. Effective 1 January 2017, the reduced VAT rate of 10% will increase to 13%, and the standard VAT rate of 22% will increase to 24%. Effective 1 January 2018, the standard VAT rate will increase further, to 25%.

Effective 1 January 2016, the following VAT changes apply:

- ▶ The scope of the 4% VAT reduced rate is expanded beyond e-books and now applies to all other e-publishing materials.
- ▶ A new 5% reduced VAT rate is introduced for social-health and education services carried out by *Cooperative Sociali* – special entities that rehabilitate and care for socially disadvantaged people – for special categories of people, in particular elderly and disabled people, drug addicts and AIDS patients (previously subject to the 4% reduced rate).
- ▶ The reduced VAT rate of 10% applies to accommodation services provided by marina resorts.
- ▶ The reverse-charge mechanism is applied to services rendered by a consortium's members to consortiums acting as contractors toward public administrations whose supplies are subject to the special VAT split-payment system.
- ▶ Tax assessments can now be issued up to the fifth year following the filing year (previously the fourth year).
- ▶ The statute of limitation is extended to seven years (previously five years) for failure to file tax returns.
- ▶ The doubling of the statute of limitations for criminal tax

investigations is repealed.

- ▶ A new penalty regime is introduced for VAT reverse-charge mechanism violations:
 - ▶ A penalty ranging from EUR500 to EUR20,000 (approximately USD542 to USD21,670) applies for the omission of the VAT reverse-charge mechanism by taxpayers who are entitled to full VAT deduction (rather than a previous proportional penalty up to 200% of the VAT).
 - ▶ A penalty ranging from 5% to 10% of the taxable amount (minimum of EUR1,000, or approximately USD1,100) applies where the transaction subject to the reverse charge is not included in the accounting records.
 - ▶ Penalties ranging from 90% to 180% apply for reverse-charge mechanism errors by taxpayers who are not entitled to full deduction of the VAT.
 - ▶ Penalties ranging from EUR250 to EUR1,000 (approximately USD1,100) apply for the incorrect application of the reverse-charge mechanism by the supplier and/or the purchases, except in cases of fraud, where penalties of 90% to 180% of the relevant VAT may apply.

Effective 1 January 2016, the obligation to file the Annual VAT Data Communication has been abolished. Taxpayers still must file Annual VAT Data Communication (not to be confused with the annual VAT return) for the 2015 calendar year by the end of February 2016. The deadline for filing the annual VAT return for FY2015 remains 30 September 2016 (not February 2016 as previously proposed). The deadline for filing the annual VAT return for 2016 has been changed to February 2017.

Italy (continued)

Effective 1 January 2016, the Italian tax authorities can deem, unless proven otherwise by the taxpayer, that the resident persons in charge of collecting bets on behalf of a nonresident company that makes available video lottery terminals and a gaming arcade constitute a permanent establishment (PE). Should the existence of a PE be confirmed, a withholding tax of 25% would be levied on the amounts payable to nonresidents.

Effective 1 January 2017, new rules will apply for credit notes in insolvency procedures. Taxpayers will be allowed to issue credit notes relating to supplies made to customers under insolvency procedures at the start of the procedure rather than at the end.

Japan

Effective 1 April 2017, the second phase of the consumption tax rate increase (from 8% to 10%) takes effect (postponed from 1 October 2015). The first phase of the consumption tax increase (from 5% to 8%) came into effect on 1 April 2014. Despite the rate increase, the current 8% consumption tax rate will be retained for fresh and processed foods, other than alcoholic beverages and foods and beverages served at a restaurant.

Effective 1 October 2015, digital services (e.g., e-books, downloaded music and internet advertisements) provided by a foreign person to Japanese customers became subject to consumption tax. For B2C transactions, the foreign service provider is required to register as a taxable entity and file consumption tax returns. For B2B transactions, a reverse-charge mechanism has been introduced, requiring the Japanese business recipient to declare taxable sales and the related tax due on its consumption tax return.

Kazakhstan

The VAT registration threshold has been lowered from KZT59.4 million to KZT6.4 million (approximately EUR16,000/USD17,400).

Effective 1 January 2016, the following entities are obliged to issue electronic VAT invoices:

- ▶ Authorized economic operators (AEOs)
- ▶ Businesses that supply or export goods indicated in the customs list of goods for which the applied import duties are lower than the corresponding Eurasian Economic Union (EAEU) common import duties (see the *Global Trade* section of this report)

Effective 1 July 2016, customs agents, customs representatives, customs carriers, owners of bonded warehouses, and owners of customs warehouses are

obliged to issue electronic VAT invoices for the supply of goods and services.

Effective 1 July 2016, electronic waybills are mandatory for the supply of tobacco products. This requirement already applies to the supply of oil and alcohol products.

Effective 1 January 2017, the following VAT registration changes will apply:

- ▶ The annual turnover threshold for obligatory VAT registration will be 3,234 times the monthly calculation index amount, as of 1 January of the relevant year (currently, approximately USD 19,000). Currently, the VAT registration threshold is 30,000 times the monthly calculated index (approximately USD 170,000)

Kazakhstan (continued)

- ▶ All taxpayers will be obliged to issue electronic invoices
- ▶ All taxpayers will be obliged to issue electronic waybills for the supply of goods

The government has been discussing the potential replacement of VAT with a sales tax (or turnover tax) effective 1 January 2017. However, to date, no draft amendments or detailed guidance have been issued to the tax legislation related to this possible change.

Kenya

Effective October 2016, standard-rate VAT (currently 16%) may be reinstated on all oil products (currently exempt).

Effective 1 August 2015, the tax authority does not accept manual VAT returns: all returns must be filed electronically in iTax.

Kosovo

Effective 1 September 2015, the standard rate of VAT was increased to 18% (from 16%). A reduced VAT rate of 8% was also introduced for basic foodstuffs, utilities, and medical and pharmaceutical products.

Effective 1 September 2015, the following VAT rate changes took effect:

- ▶ The VAT registration threshold for businesses operating in Kosovo decreased to approximately EUR30,000 (from approximately EUR50,000).
- ▶ Foreign entities or nonresident individuals who want to operate in Kosovo through a permanent establishment are required to register for VAT purposes from the start of their operations, regardless of the threshold.
- ▶ Small businesses are no longer required to obtain a VAT certificate before engaging in import/export operations and are required to register for VAT only if they reach the EUR30,000 threshold.
- ▶ A taxable person may de-register for VAT purposes within two months of its request, provided that it has been registered for at least two calendar years from the moment of its initial registration and that the turnover during the last calendar year has fallen below the EUR30,000 threshold.
- ▶ Nonprofit organizations shall be treated as taxable entities only if they engage in economic activities.
- ▶ Taxpayers (other than exporters) may claim a refund of their credit VAT as long as these conditions are simultaneously met:
 - ▶ The credit VAT position has been carried forward for three consecutive months.
 - ▶ The credit VAT at the end of the third month exceeds approximately EUR3,000.
 - ▶ All tax returns from past tax periods have been submitted.
- ▶ Exporters may claim a VAT refund if, at any given tax period, the credit VAT at the end of the period exceeds approximately EUR3,000 and if they have submitted all tax returns from previous periods.
- ▶ Services related to the supply/import of goods are treated as part of the supply of goods. Goods involved in the supply of services are part of the supply of services.
- ▶ Long-term contracts for the supply of goods or services, including long-term construction and installation contracts, shall be considered complete and VAT will become chargeable:
 - ▶ Upon the technical acceptance of the work, i.e., either at the finalization of the contract or no later than one month after

Kosovo (continued)

- ▶ At year-end, if no technical acceptance statement was issued during the year or if it does not reflect the true amount of work performed.
- ▶ The following imports become VAT-exempt:
 - ▶ Production lines and machinery to be used in the production process
 - ▶ Raw materials used in the production process
 - ▶ Information technology equipment
 - ▶ Newspapers and periodicals
 - ▶ Equipment and materials for the electronic and written media
- ▶ The following transactions become VAT-exempt:
 - ▶ All activities carried out by public radio and television bodies
 - ▶ The supply of public transport services to travelers and their baggage, with prices set by the competent state authority
 - ▶ Transactions of life and health insurance and reinsurance, including related services performed by insurance brokers and insurance agents
 - ▶ The supply of houses, apartments or other accommodations used for residential purposes, including garages and basements
 - ▶ International road transport of passengers and transport of accompanying goods or supply of services related to passenger transport
- ▶ The following transactions will be treated as exports from a VAT perspective:
 - ▶ The supply of goods and services to foreign personnel of special diplomatic and consular missions accredited in Kosovo, including their family members
 - ▶ The supply of public goods and services to Kosovo religious communities
- ▶ The supply of goods and services co-financed from foreign governments' donations and through Kosovo's budget for public benefit projects, provided that it is stipulated in the agreement between the parties and the contribution from the Kosovo budget does not exceed 20%
- ▶ International airway and railway transport of passengers and their luggage or supplies related to transport of passengers, from Kosovo to a place outside of Kosovo and vice versa
- ▶ Taxpayers have the right to recover input VAT on personnel costs, such as meals, which are re-charged with the supply of goods and services.
- ▶ Taxpayers have the right to recover input VAT on goods that the taxpayer has in stock at the time of reaching the VAT threshold.
- ▶ Taxpayers that compensate VAT to farmers are entitled to credit the VAT compensation provided that:
 - ▶ The payment for goods or services received by farmers is effected
 - ▶ The agricultural goods and services received are intended for performing taxable supplies that have the right to credit the input VAT as provided by legislation
- ▶ It is no longer necessary to initiate court proceedings for debts of up to EUR500 (approximately USD542) to treat it as bad debt. However, bad debts will not be recognized if:
 - ▶ Transactions of the same debtor are repeated after the announcement of bad debt, except for public services
 - ▶ Bad debt is between related parties
 - ▶ There is insufficient evidence that substantial efforts have been made to optimize debt collection
- ▶ Taxpayers registered for VAT purposes need to store all documents, ledgers, records and registers for at least 6 years, whereas documents related to immovable property must be maintained for 20 years, starting from 1 January after the year when the taxable event took place.

Kuwait

Kuwait, along with the other member states of the GCC, is expected to introduce a VAT system. The timeline has not been set, although our latest information is that implementation is planned for 2020.

The GCC VAT system will be implemented across the common economic zone. Member states are still looking

to introduce VAT regionally and simultaneously rather than unilaterally and at different times, mainly driven by the risk of unfair competitiveness. However, once the final framework and a deadline have been set, some countries may implement national legislation ahead of others.

Kyrgyzstan

Effective 1 January 2016, the VAT registration threshold is increased from KGS4 million to KGS8 million.

In Kyrgyzstan, sales tax applies in addition to VAT and is payable upon the supply of goods and services by resident companies, by nonresident companies carrying out business activities in Kyrgyzstan through a permanent establishment and by individual entrepreneurs. Sales tax is gradually being abolished, and, as part of that

program, the following are exempt from sales tax from 1 January 2016:

- ▶ The export of goods and services
- ▶ The sale of goods and supply of services within Kyrgyzstan
- ▶ The sale of a business or part of a business capable of separate operation if both the seller and the buyer are taxable persons for VAT purposes (or if the buyer becomes such)

Latvia

Effective 1 January 2016, the reverse-charge mechanism applies to supplies of mobile phones, tablets and integrated circuit devices, as well as various timber types to be used as wood fuel.

The Latvian VAT regime went through a number of minor changes on 1 January 2016. These included:

- ▶ The right to deduct the VAT on passenger cars was cut from 80% to 50%

- ▶ VAT reporting period rights
- ▶ Bad-debt VAT credits
- ▶ VAT liabilities on gambling activities

Effective 1 July 2016, the cash accounting scheme will be extended to suppliers of residential home management services with an annual turnover of EUR100,000 to EUR2 million.

Lithuania

Effective 1 July 2015, the local reverse-charge system includes certain construction services.

Effective 1 July 2015, the application of a reduced VAT rate of 9% was extended to 31 December 2016 for heat energy supplied for the heating of residential

premises (including heating supplied through a hot water supply system), hot water supplied to residential premises or cold water used for the preparation of hot water, and heat energy used for the heating of water.

Madagascar

Effective 8 January 2016, the following VAT changes apply:

- ▶ Companies registered for VAT whose turnover falls below MGA200 million may automatically be exempted from VAT. However, upon request to the tax authority, these companies may remain registered and charge VAT.
- ▶ VAT on local purchases becomes deductible for oil processing and oil distribution companies.
- ▶ Tax authorities facilitate the follow-up of the VAT credits by opening a new specific bank account in the Malagasy Central Bank or in the Public Treasury.

Malaysia

Effective 1 January 2016, changes were made to the penalty regime for late payment of GST:

- ▶ For the first 30-day period that the tax is not paid, 5% of the GST amount due
- ▶ For the second 30-day period, an additional 10% of the GST amount due
- ▶ For the third 30-day period, an additional 10% of the GST amount due

Mauritania

On 6 August 2015, the Mauritanian Parliament and Senate adopted a law that amends the Finance Law for 2015,

including increasing the VAT rate on petroleum products to 20%. The general VAT rate remains at 16%.

Mauritius

From 1 July 2015, the VAT registration threshold increased from MUR4 million to

MUR6million (approximately EUR148,000 or USD106,500).

Mexico

Effective 1 January 2016, taxpayers subject to the fiscal incorporation regime may choose to pay VAT and the special tax on production and services under a beneficial scheme. Taxpayers with income

below MXN300,000 (approximately EUR15,500 or USD16,800) in the previous fiscal year may reduce 100% of VAT and the special tax payable on production and services.

Moldova

Effective 1 January 2016, VAT at a rate of 8% applies to agricultural products.

Mongolia

Effective 1 January 2016, new items including gas fuel and its containers, equipment and machines related to the

mining industry and gas production, and special-purpose vehicles are exempt from VAT.

Namibia

Effective 1 January 2016, the following VAT changes apply:

- ▶ The compulsory VAT registration threshold is increased from NAD200,000 to NAD500,000.
- ▶ Voluntary VAT registration will be considered only when:
 - ▶ There is a reasonable expectation that taxable supplies will be made for consideration after a period of time.
 - ▶ There is a reasonable expectation that future taxable supplies will exceed NAD200 in a 12-month period.
- ▶ The Commissioner of Inland Revenue may cancel a voluntary VAT registration in certain circumstances.
- ▶ A voluntary registration will be allocated a six-month VAT period unless, upon written application, the Commissioner of Inland Revenue has allowed a different VAT period.
- ▶ Security and additional conditions may be imposed before allowing the import of goods on an import VAT account.
- ▶ The Commissioner of Inland Revenue may cancel the registration of an import VAT account in certain circumstances.
- ▶ Financial services provided to a nonresident who is outside Namibia when the services are supplied are now exempt.

The Netherlands

The 2016 Intrastat thresholds are decreased to EUR1 million for intra-EU arrivals and EUR1.2 million for intra-

EU dispatches. The EU sales list (ESL) thresholds are decreased to EUR50,000 for intra-EU supplies.

New Zealand

Effective 1 October 2016, foreign suppliers of “remote services” must register and account for GST in New Zealand if the annual value of their remote services supplied to non-GST-registered New Zealand consumers exceeds NZD60,000 (approximately

EUR36,300 or USD39,000). The definition of *remote services* includes any services supplied digitally or remotely, including electronic services and remotely provided traditional services (e.g., accounting, legal and consultancy work).

Norway

Effective 1 January 2016:

- ▶ The reduced VAT rate increases to 10% (from 8%).
- ▶ Zero-rate VAT applies to e-newspapers and e-journals (currently 25%).

Oman

Oman, along with the other member states of the GCC, is expected to introduce a VAT system. The timeline has not been set, although our latest information is that implementation is planned for 2020.

The GCC VAT system will be implemented across the common economic zone. Member states are still looking

to introduce VAT regionally and simultaneously rather than unilaterally and at different times, mainly driven by the risk of unfair competitiveness. However, once the final framework and a deadline have been set, some countries may implement national legislation ahead of others.

Pakistan

The Finance Act 2015 introduced indirect tax amendments, including:

- ▶ The sales tax rate has increased from 5% to 10% on:
 - ▶ Soybean meal
 - ▶ Oilseeds meant for sowing
 - ▶ Plant and machinery not manufactured locally and having no compatible local substitutes
 - ▶ Dairy products sold in retail packaging
- ▶ The following supplies are now subject to a reduced sales tax rate of 5% (previously exempt):
 - ▶ Plant, machinery and equipment used in the production of biodiesel
 - ▶ Poultry and cattle feed, and their ingredients
 - ▶ Incinerators for waste management, motorized sweepers and snowplows
 - ▶ Re-importation of foreign-origin goods that were temporarily exported out of Pakistan
- ▶ Zero rating of locally manufactured plant and machinery supplies to Export Processing Zones is subject to specified conditions, restrictions and procedures.
- ▶ Any manufacturer that exports exempted goods can benefit from zero rating of sales tax, regardless of whether the manufacturer is involved in local supplies of both taxable and exempted goods.
- ▶ Certain dairy products, including milk, yogurt, cream, cheese, butter, desi ghee, whey, and cream sugar or other sweeteners, which were previously zero-rated, are now exempt unless sold in retail packaging. This means that input tax claims are no longer available to suppliers of these goods.
- ▶ Aircraft and diagnostic kits or equipment are now exempt from sales tax.
- ▶ The concept of an “active taxpayer” was introduced. The tax authority maintains a list of active taxpayers and issues rules prescribing the restrictions and limitations on persons who cease to be active taxpayers.
- ▶ The definition of supply now includes the transfer or delivery of goods produced by toll manufacturers to the owners of the goods or their nominated persons. Therefore, federal sales tax is levied on toll manufacturing activity, treating it as a supply rather than services liable to provincial sales tax.
- ▶ The rate of further tax levied on taxable supplies made to a person who does not have a registration number increases to 2% (from 1%).
- ▶ A registered buyer is jointly and severally liable for the payment of any unpaid tax in case of default by the supplier.
- ▶ The tax authority no longer has the power to issue any order granting exemption from tax on import or supply of goods.

Peru

A draft law was presented to the Peruvian Congress on 10 October 2014 that proposed reducing the VAT rate to 15% (from 1 January 2015) and then 14% (from 1 January 2016). This draft law has yet to be approved. The proposed law does not affect the 2% rate of municipal sales tax (IPM) levied on consumption subject to VAT, which is collected at the same time as VAT. Therefore, from 1 January 2016, the general indirect tax on consumption, if the reduction goes ahead as proposed, is made up of 14% of VAT and 2% of municipal sales tax, totaling 16%.

From 1 January 2016, the following VAT exemptions were extended to 31 December 2018:

- ▶ The VAT exemption on goods listed in Annexes I and II of the VAT law
- ▶ The VAT refund for:
 - ▶ Acquisitions of goods funded through foreign donations
 - ▶ Mining and hydrocarbon companies during the exploration phase
- ▶ The VAT exemption granted to electronic money institutions on the issuance of electronic money

Peru (continued)

The VAT reimbursement benefit in the Amazon region has been extended until 31 December 2018. This benefit allows certain taxpayers in the Amazon region to recover the amount of input VAT paid on the acquisition of certain goods from entities outside the Amazon region. The reimbursement is granted because

operations performed within the Amazon region are not subject to VAT and, as a result, the input VAT from acquisitions cannot be offset by taxpayers in the region.

Poland

The temporarily increased VAT rates will continue to apply until the end of 2016; the standard VAT rate remains at 23% and the reduced rate at 8%.

Significant changes are expected in Polish indirect tax law, some of them taking effect on 1 January 2016 and others planned for later in 2016. The major changes include:

- ▶ The Law and Justice Party (the newly elected governing party) announced that it wants to implement a new VAT Act that may have a far-reaching impact. The draft law includes the following amendments:
 - ▶ Withdrawal of the reverse-charge mechanism on local supplies of goods (e.g., steel products and electronics)
 - ▶ The introduction of obligatory joint and several liability (if transactions with a given supplier exceed a monthly threshold of PLN100,000 – approximately EUR23,000 or USD25,000)
 - ▶ The introduction of a voluntary split-payment mechanism (application of split payment would remove joint and several liability from the purchaser)
 - ▶ The obligation to submit documentation describing optimization structures applied by a taxpayer (compulsory, if the expected tax savings exceed PLN500,000 – approximately EUR115,000 or USD125,000)
 - ▶ Various penalty rates for non-reporting or noncompliance, e.g., 30% of non-reported output VAT and 46% on VAT savings if a taxpayer fails to submit the abovementioned documentation

- ▶ The removal of provisions allowing taxpayers to apply for binding tax rulings on their VAT settlements (previously issued rulings will not apply under the new law)
- ▶ Scrutiny of transactions where fraud is suspected will increase, possibly resulting in honest taxpayers being accused of involvement in VAT fraud and ultimately having to bear the financial and reputational costs.
- ▶ Since the CJEU judgment in Case C-605/12 – Welmory, we have noted that Polish tax authorities are taking an increasingly restrictive approach to recognizing the activities of foreign companies in Poland as giving rise to a fixed establishment for VAT purposes in Polish territory. Moreover, negative rulings and judgments indicating the existence of a fixed establishment are issued for cases with supply chains. The Supreme Administrative Court (SAC) has not issued its judgment in Welmory yet. However, in another judgment released recently for a similar case, the SAC confirmed that the place of taxation of services shall be in Poland. Consequently, the above practice indicates that Polish tax authorities will more often follow this approach and confirm that the activities of foreign companies in Poland create the fixed establishment for VAT, also in circumstances that so far would seem to raise no risk of fixed establishment.

Puerto Rico

Effective 1 April 2016, Puerto Rico will become the first US jurisdiction to adopt a VAT system. It will replace the sales and use tax system applied at the Commonwealth and municipal levels. Once VAT takes effect, it will be imposed at a maximum rate of 10.5% and will coexist with the 1% municipal sales and use tax (SUT). Thus, the SUT provisions of the code will remain in effect to the extent they relate to certain transactions subject to tax at the municipal level.

The new VAT system is being implemented in two phases, beginning 1 April 2016. Generally, VAT will be effective 1 April 2016, but if the Puerto Rico Treasury Department (PRTD) is not ready by that date, the effective date can be extended by 60 days, until 1 June 2016.

The PRTD established a phased-in or progressive approach for VAT. The effective dates under the two-phase implementation are as follows:

Phase-in stages	Effective date	
	1 April 2016	1 June 2016
VAT base and tax rate of 10.5%	X	
Services (i.e., B2B, designated professional services) ²	X	
Credit for VAT paid	X	
VAT refunds		X
Fiscal voucher, debit and credit notes	X	
SUT certificates	Valid until VAT certificates are issued by the PRTD	
SUT eligible reseller certificates	Valid until 1 June 2016	
New tool for VAT reporting, payment and remittance	X	

The PRTD also announced that it will soon publish administrative guidance and regulations on the SUT-to-VAT transition period under the phased-in approach.

Effective 1 July 2015, the SUT rate increased from 6% to 10.5%, in addition to the retention of the 1% municipal SUT under the code. Thus, the total combined SUT/VAT rate will be as high as 11.5%.

A 4% SUT is imposed on certain B2B services and designated professional services rendered between 1 October 2015 and 31 March 2016; these services will not be subject to the municipal SUT during this period. Merchants rendering designated professional services will be allowed to use the cash method of accounting even if they use the accrual reporting basis after 30 September 2015.

For periods commencing after 30 June 2015, the 75% SUT credit limitation will

be eliminated and merchants will be able to claim SUT credits up to the full sales tax obligation. Unused SUT credits generated before 1 April 2016 will be available to reduce VAT obligation until fully exhausted, but with no refund option.

On 1 October 2015, new transitory amendments to the SUT provisions for the performance of B2B services and designated professional services (e.g., legal and accounting services) listed in the SUT provisions took effect.

For periods beginning on or after 1 July 2015, Puerto Rico has reinstated the requirement for businesses to file their monthly SUT returns and pay their SUT liabilities electronically. The tax department had allowed taxpayers to temporarily file their monthly SUT returns on paper to give them time to implement and adapt to the electronic-filing requirement.

2. Customs document for the export/import of goods.

Qatar

Qatar, along with the other member states of the GCC, is expected to introduce a VAT system. The timeline has not been set, although our latest information is that implementation is planned for 2020.

The GCC VAT system will be implemented across the common economic zone. Member states are still looking to introduce

VAT regionally and simultaneously rather than unilaterally and at different times, mainly driven by the risk of unfair competitiveness. However, once the final framework and a deadline have been set, some countries may implement national legislation ahead of others.

Romania

The standard VAT rate in Romania is reduced from 24% to 20% effective 1 January 2016 and to 19% effective 1 January 2017.

Effective 1 January 2016, a threshold of RON22,500 (approximately EUR5,000 or USD5,400) excluding VAT was introduced for the value of goods mentioned on one invoice for the applicability of the domestic reverse charge (applies to mobile phones, integrated circuit devices, game consoles, laptops, etc.).

Effective 1 April 2016, substantial changes will apply to the form and content of Statement 394 – a schedule of supplies and acquisitions carried out in Romania by VAT-registered businesses. Form 394 in its current format is filed for January and

February. But when the new form takes effect, the taxpayer will have to resubmit January and February in the new format by 25 April. March 2016 and subsequent months must be completed on the new form.

Effective 1 January 2016, the following penalty changes apply:

- ▶ The late-payment interest rate is 0.02% per day of delay, while the late-payment penalty is 0.01% per day of delay.
- ▶ A penalty of 0.08% per day of delay is introduced for not reporting transactions.
- ▶ The interest rate that may be claimed by a taxable person for late refunds decreases to 0.02% per day of delay (from 0.03%).

Russia

Effective 1 January 2016, the following VAT changes apply:

- ▶ Documents proving that the parties have reached mutual agreement on all essential terms of a transaction can be used as a contract confirming the application of 0% VAT.
- ▶ The threshold for applying the accelerated procedure for VAT refunds without bank guarantee decreases from 10 billion to 7 billion rubles of taxes paid for three preceding calendar years.
- ▶ The VAT exemption for corrective eyeglasses, lenses and frames also applies to the sale of corrective sunglasses, lenses and frames.

During 2016, the following key changes are expected:

- ▶ A draft law changing the VAT application to advance payments will be adopted in 2016. In this case, VAT will no longer apply to a prepaid part of transaction value at the moment of dispatch.
- ▶ Special rules for recovering input VAT related to supplies taxed at a 0% VAT rate will be abolished, and the general rules will be applied instead.

Effective 1 January 2017, Russia plans to introduce special indirect tax rules for electronic services stipulating that the place of supply will be determined by the location of the customer. The current version of the draft law stipulates that electronic services provided by foreign companies to Russian customers would therefore be subject to VAT in Russia.

Russia (continued)

Foreign companies providing electronic services to Russian individuals must register with the Russian tax authorities, excluding such services provided via agents. Where foreign providers are selling electronic services through the foreign agents and such agents are involved in settlements between the service provider and the customer, the agents will pay Russian VAT, and service providers may not register.

Effective 1 January 2017, the right to recover VAT charged by providers on costs related to electronic services is proposed as a countervailing measure for abolishing the VAT exemption to Russian companies providing electronic services to foreign customers.

St. Lucia

Effective 12 January 2016, the VAT registration threshold is increased to XCD180,000 (from XCD140,000).

Sao Tome and Principe

A VAT system is expected to be introduced by 2017.

Saudi Arabia

Along with the other member states of the GCC, Saudi Arabia is expected to introduce a VAT system. The timeline has not been set, although based on the latest information, Saudi Arabia is expected to introduce VAT in 2018. The GCC VAT system will be implemented across the common economic zone. Member

states are still looking to introduce VAT regionally and simultaneously rather than unilaterally and at different times, mainly driven by the risk of unfair competitiveness. However, once the final framework and a deadline have been set, some countries may implement national legislation ahead of others.

Serbia

The Serbian Parliament is considering a number of changes to VAT law, including measures that would:

- ▶ Impose VAT on the party acquiring assets (under the going-concern rules of Article 6) if the Article 6 provisions were no longer to apply
- ▶ Allow a foreign entity to register for VAT by appointing a “tax proxy”
- ▶ Extend a special rule for goods and services used in the construction sector
- ▶ Provide rules for electronically provided services by foreign entities
- ▶ Impose new rules for the supply of certain utilities, including electricity, natural gas, and heating and cooling energy
- ▶ Provide rules for when VAT liability arises on the transfer or assignment of copyrights, patents, trademarks and similar items
- ▶ Define *subsidies*
- ▶ Apply a reduced VAT rate of 10% for the hospitality sector
- ▶ Not allow deductions by employers for VAT paid on employee meals and transportation
- ▶ Revise the VAT rules for secondhand goods
- ▶ Require both monthly and quarterly VAT returns to be filed within 15 days

Slovak Republic

Effective 1 January 2016, the following VAT changes apply:

- ▶ Cash-accounting is introduced for taxpayers whose annual turnover does not exceed EUR100,000.
- ▶ The range of goods subject to the reduced 10% VAT rate is extended. This applies for particular food products such as meat, fish, milk and bread.
- ▶ The reverse-charge mechanism now applies to supplies of construction services, to supplies of construction under a contract of work (or a similar type of contract) and to the supply of goods with installation or assembly if the assembly or installation as a whole represents a construction service. The reverse-charge mechanism also applies to cases where the recipient of the construction services mainly performs transactions not subject to VAT but is already registered for VAT purposes for some particular reasons (e.g., legal entities incorporated for nonbusiness purposes and public authorities). These recipients will pay VAT on construction services purchased, regardless of whether they are used for taxable activities.
- ▶ The scope of the reverse-charge mechanism for goods is extended to all goods supplied by non-established taxpayers in Slovakia. Locally established taxable customers should apply a reverse charge on goods from non-established suppliers in Slovakia. Distance selling will be the only exception.
- ▶ The rules for triangular transactions are amended. The first acquirer of the goods (the middleman) within the triangulation transaction cannot be registered for VAT purposes in the state of the first supplier.
- ▶ Newly established taxable persons performing preparatory activities are no longer obliged to pay the tax guarantee when applying for VAT registration in

Slovakia.

- ▶ A new system of penalties for noncompliance with tax obligations is introduced. The penalty amount depends on the time passed since the breach of obligation to declare and pay tax (instead of a one-off flat penalty). Minimum (1% of levied tax) and maximum (100% of levied tax) penalties are also introduced.
- ▶ A VAT payer can now claim a deduction of input VAT on supplies of goods as well as services received as a taxable person (before the effective date of becoming a VAT payer) if such purchases were not included in tax expenses in calendar years preceding the calendar year when the person became the VAT payer, except for stock.
- ▶ Foreign persons established in the EU are also allowed to submit the VAT refund application for a period shorter than three calendar months, provided that the period represents the rest of the calendar year and that the amount of VAT claimed is at least EUR50. For foreign businesses established outside the EU, the application can also be submitted for a period of half the calendar year, provided that the amount of VAT claimed is at least EUR1,000. If an application is submitted for the first half of the calendar year, the amount of VAT claimed for the second half of the calendar year should be at least EUR50.

Effective 1 April 2016, taxpayers must report separately simplified invoices if the total amount of deductible VAT from simplified invoices for the tax period is EUR3,000 or more. These invoices are reported in the VAT ledger in section B3 in aggregate amounts. This (simplified) regulation, as opposed to the previously accepted reporting of the aggregate value of simplified invoices (instead of each single invoice), is a reaction to occurrences of tax evasion revealed by the tax authorities.

South Korea

Effective 1 July 2015, South Korea applied VAT on electronic services purchased by South Korean customers from abroad. At the same time, it requires foreign providers of electronic services to register with the South Korean tax authorities through the simplified business registration system. On 2 December 2015, South Korea's National Assembly passed the 2016 tax reform bill. Under this bill, the scope of electronic services subject to VAT registration narrows. The new VAT regime on electronic services will not apply if the electronic services are rendered to a domestic entrepreneur that is registered for VAT purposes in South Korea (i.e., B2B transactions).

Effective 1 July 2016, the zero-rate VAT applicable to certain services rendered to a nonresident such as professional services (i.e., legal, accounting, tax, advertising, market survey and management consulting services) and business support services (i.e., manpower supply, employment delivery and similar services) will apply only when a country where the counterparty is a resident applies the same zero-rate VAT or exemption on such services (i.e., on a reciprocal basis). This is a proposed amendment and is still pending approval.

Spain

Effective January 2017, a new reporting system for invoices called Immediate Supply of Information (ISI) is expected to come into force. This system is envisaged in a draft royal decree that is still pending approval. Taxpayers who file VAT returns monthly must maintain and submit VAT books electronically. The new requirement will be optional for other taxpayers. Under this system, all invoices issued and received for VAT purposes must be transmitted electronically and almost immediately to the Spanish tax authorities so they have all information about operations carried out by VAT taxpayers in real time.

The new requirement will remove the necessity to file informative returns related to operations with third parties (Form 347) and related to the monthly VAT refund books (Form 340) for taxpayers who are obligated to apply this new VAT requirement and for other taxpayers who opt to apply it. Under the new system, the deadline to file monthly VAT returns will be extended to the end of the month following the end of the VAT accounting period.

Contents of the new system

VAT books affected

The new system will affect all the VAT books required by the VAT regulation:

invoices issued and received, investment goods and other intra-community operations.

VAT books of invoices issued or received

- ▶ Each invoice issued or received must be electronically communicated to the Spanish tax authorities within four working days of the date of its issuance or the date it was accounted for. For these purposes, Saturdays, Sundays and national holidays are excluded.
- ▶ In any case relating to invoices issued, the submission must take place before the 16th of the month following the tax point of the operation documented on the invoice. With invoices received, it must take place before the 16th day of the month following the VAT period in which the invoice was registered.
- ▶ In the case of invoices issued by the recipient of the operation or by a third party (self-billing), the deadline for submitting the invoices will be eight working days (instead of four), with the same limits noted, that is the 16th of the month following the VAT period in which the invoice was registered.

VAT books relating to investment goods

The information must be provided when the VAT return relating to the final VAT period of the year is filed.

Spain (continued)

Deadline VAT returns

Effective in 2017, the deadlines for filing VAT returns for taxpayers who file monthly will be extended to the 30th day of the following month, or for the return relating to January, until the last day of February.

Information that must be submitted

In addition to the information that must be currently included in the VAT books, the draft royal decree includes additional details that must be provided electronically with every invoice sent and that go beyond the obligations included in the Spanish invoicing regulation.

Information that may be challenging to obtain in accordance with the most commonly used ERPs includes:

- ▶ A description of the operations
- ▶ With respect to amended invoices, the identification of the invoices being amended – which may be complicated when there is more than one
- ▶ Identification of invoices that are issued in substitution or exchange for simplified invoices
- ▶ The VAT return period in which each invoice was included

Importation of goods

Details of the new system relating to international trade include:

- ▶ Supplies of goods that are filed with the customs office or acquisitions of imported goods: the date of admission in the office and the DUA/SAD number assigned must be included on the invoices issued or received VAT books.

- ▶ The submission deadline of four days is counted from the admission of the DUA/SAD by customs authorities. With importations, the maximum deadline is extended to the 16th of the month following the end of the VAT period in which the importation amounts have been registered.

Other obligations

- ▶ Apart from those obligated to apply the new system, other taxpayers who voluntarily elect to apply it must do so by filing the election form during November. The regime will then be applicable from 1 January of the following year and will apply for at least one full year.
- ▶ In all cases, VAT books must mention the deductible input VAT (i.e., total, partial or nondeductible).
- ▶ The new system does not allow the submission of the grouped invoice register.
- ▶ Taxpayers included in the new system, who determine that the obligation to issue invoices will be assumed by the recipient of the operation or by a third party (self-billing), should inform the Spanish tax authorities by filing a Census Form.
- ▶ The deadline for sending invoices where the recipient of the operation is a business, or a professional acting as such, will be the 16th day of the month following the month when the tax point of the corresponding operation occurred.

Sri Lanka

Effective 1 January 2016, the following VAT rates were introduced to replace the single 11% rate:

- ▶ 0% (zero-rated) – applicable to the export of goods and services for foreign currency receipts
- ▶ 8% (standard rate) – applicable on the manufacture and import of goods

- ▶ 12.5% (higher rate) – imposed on the service sector. Banking and financial services would also be liable at the higher rate.

In addition, the VAT registration threshold is reduced to LKR12 million per year or LKR3 million per quarter. The previous thresholds were LKR15 million per year and LKR3.75 million per quarter.

Suriname

Plans to replace the turnover tax with a VAT system in Suriname on 1 January

2016 have been postponed until further notice.

Switzerland

Effective 1 January 2018 (although it is possible that it might be 1 January 2017 as originally proposed) changes to VAT law in Switzerland will come into force. Here are the most significant proposed changes foreseen in the draft legislation:

- ▶ The current CHF100,000 VAT registration threshold will be removed. A foreign business making any local supply of goods or services in Switzerland (e.g., a foreign supplier of

B2C digital services) will become liable for Swiss VAT if its worldwide turnover exceeds the CHF100,000 threshold. The current threshold is based on Swiss turnover only.

- ▶ Foreign businesses selling goods ordered online to Swiss customers will become liable for Swiss VAT if their sales/deliveries to Swiss customers exceed CHF100,000 in a year (similar to the EU's distance-selling rules).

Taiwan

Effective 1 January 2016, the goods and services tax on immovable property ceased to apply.

Tanzania

Effective 1 July 2015, nonresident suppliers of B2C telecoms and e-services are required to register for VAT.

On 1 July 2015, Tanzania's new VAT act took effect and included the following changes:

- ▶ Special rules for certain sectors, such as insurance and telecommunications, including rules that apply to "consideration of supply" for telecommunications and rules of adjustments in making and receiving insurance payments
- ▶ Special rules for branches. VAT-registered persons who carry on economic activities in mainland Tanzania and at one or more fixed places outside mainland Tanzania are deemed to be separate persons. The VATable supplies include cost allocations to branches in mainland Tanzania.
- ▶ Significant reduction of exempt items
- ▶ Special relief and zero-rated supply schedules were removed
 - ▶ Exports remain zero-rated
 - ▶ The export of services was broadened
- ▶ Grandfathering of existing agreements with the Government
- ▶ During the transition from the "old" to the "new" VAT act, all regulations, rules, orders and forms made under the old act remain in force until revoked.
- ▶ A registration threshold set at TZS100 million (approximately USD50,000). There are also special rules for registration (e.g., automatic registration and intending traders).
- ▶ Nonresidents carrying on economic activity without having a fixed place in the United Republic of Tanzania (URT) must appoint a VAT representative in the URT.

Tanzania (continued)

- ▶ Taxable persons must account for output tax on imported services, and the respective input tax must be claimed in the same VAT return
- ▶ Introduction of a requirement to apply to the Commissioner to correct errors in VAT returns
- ▶ Introduction of three years for correction of errors
- ▶ Introduction of rules for electronic services (see above)
- ▶ Effective use and enjoyment rules for certain services
- ▶ Penalties and interest from the 2015 Tax Administration Act are applicable.
- ▶ Fair market value will be applicable for supplies made to a connected person or benefit in kind to an employee.
- ▶ Adjustment notes will replace credit notes.
- ▶ Amendments made to a return that is filed online
- ▶ Introduction of special rules for single and multiple supplies
- ▶ Introduction of deferral of VAT on imported capital goods

Thailand

The Thailand Revenue Department has extended the VAT rate of 7% to 30 September 2016 to stimulate economic growth. The standard VAT rate is 10% but it was reduced to 7% in April 1999, and the application period of the reduction has been extended regularly ever since.

Thailand is also considering applying VAT to downloads of mobile applications.

Trinidad and Tobago

Effective 1 February 2016, the VAT rate is reduced from 15% to 12.5% (originally planned for 1 January 2016).

Effective 1 February 2016, the VAT base is broadened by removing non-essential and luxury items from the zero-rate list. VAT at 12.5% now applies.

Turkey

The Turkish Government is reportedly considering a range of proposals that would enable the Turkish Revenue Administration to collect both direct and indirect taxes on sales and revenue-generating online activities by nonresident businesses.

Effective 1 January 2016, VAT on fertilizer and dry food for domestic animals was reduced from 18% to 1%.

Uganda

The annual VAT registration threshold for 2016 increases to UGX150

million (approximately EUR39,500 or USD42,000) from UGX50 million.

Ukraine

Effective 1 January 2016, the following main changes apply:

- ▶ The VAT exemption is canceled for the domestic supply and export of grain and technical crops. Thus, suppliers and exporters can credit input VAT.
- ▶ A restriction that disallowed VAT refunds to entities registered for VAT for less than 12 calendar months, or whose taxable supplies for the past 12 calendar months are less than the VAT refund claimed, was removed.
- ▶ VAT refunds are provided in sequential order under the two separate VAT Refund Claim Registers maintained by the authorities: one for entities that qualify for certain requirements (previous "automatic refund") and another for other entities. These registers are publicly available and introduced from 1 February 2016.
- ▶ By the taxpayer's election, VAT refunds may be provided through the offset against liabilities/debts payable to the State Revenue on other taxes.
- ▶ Penalties of 10% to 100% of the VAT amount are introduced for failing to correct mistakes in VAT invoices detected by the tax authorities.
- ▶ Previously, agricultural producers qualifying for the special VAT regime were allowed not to pay and retain VAT on the supply of agricultural goods and services. New legislation requires such agricultural producers to partially remit this VAT to the State Revenue as follows: (i) 85% for suppliers of grain and technical crops (HS headings 1001-1008, 1205, subheading 1206 00); (ii) 20% for suppliers of cattle and milk (HS headings 0102, 0401) and (iii) 50% for other agricultural suppliers.

United Arab Emirates (UAE)

Along with the other member states of the GCC, the UAE is expected to introduce a VAT system. The timeline has not been set, although our latest information is that implementation is planned for 2020.

The GCC VAT system will be implemented across the common economic zone. Member states are still looking to introduce VAT regionally and simultaneously rather than unilaterally and at different times, mainly driven by the risk of unfair competitiveness. However, once the final framework and a deadline have been set, some countries may implement national legislation ahead of others.

On 18 August 2015, the UAE's Ministry of Finance released an official statement that confirmed the following:

- ▶ The UAE has agreed to implement VAT simultaneously with the other member states.
- ▶ The UAE's draft VAT law remains under negotiation because GCC member states have not reached agreement on elements of the GCCVAT framework, including the rate and exemptions.
- ▶ The UAE will make an immediate announcement once a final agreement has been reached on the content of its VAT law.
- ▶ Businesses will be given approximately 18 months from the date of this announcement to prepare for the implementation, before they must fulfill their VAT obligations.

United Kingdom

Effective 1 January 2016, the UK Government is applying the VAT “use and enjoyment” provisions to tax UK repairs made under UK insurance contracts, as a means of tackling perceived avoidance and VAT planning measures. Under current rules, repairs carried out in the UK for insurers are typically subject to VAT according to the location of the insurer, rather than either the location of the insured person or the place where those repairs are carried out, which can result in a VAT advantage. In addition to levying VAT on repair costs, the Government also announced that it will consider a wider review of the scope of “use and enjoyment” provisions to cover advertising services with a view to implementation in 2017.

The Intrastat reporting thresholds for 2016 remain unchanged. Therefore, the exemption thresholds for the 2016 calendar year are GBP1.5 million (approximately EUR2 million or USD2,166,000) for arrivals and GBP250,000 (approximately EUR333,000 or USD361,000) for dispatches. The delivery terms threshold also remains at GBP24 million (approximately EUR32 million/USD 34,663,000).

Details of the UK tax authorities’ new large business tax compliance package were published on 9 December 2015, in the form of a summary of responses to the consultation that ran from July to October and draft Finance Bill 2016 legislation. The measures, now confirmed, cover three separate but interdependent strands:

- ▶ A requirement for large businesses to publish their tax strategy as it relates to UK taxation
- ▶ A framework for cooperative compliance (in place of the voluntary Code of Practice previously proposed)
- ▶ A series of “special measures” designed to discourage persistently high-risk behavior

The UK Government delivered the Spending Review and Autumn Statement to Parliament on 25 November 2015, which included the following announcements related to VAT.

- ▶ The Government has set up a fund that will make available GBP15 million a year, equivalent to the VAT raised each year on sanitary products, to support women's charities. The fund will continue over the course of this Parliament or until EU rules are amended to enable the UK to apply a zero rate of VAT for sanitary products.
- ▶ The Government will consult on legislation for Finance Bill 2016 to ensure that the reduced rate of VAT for the supply and installation of energy-saving materials in residential accommodations is maintained in line with EU law. This follows infringement proceedings recently brought by the European Commission against the UK, where the Court of Justice of the European Union held that the UK legislation that provided a reduced rate for energy-saving materials went beyond the scope allowed under EU law.
- ▶ Sixth-form colleges in England will be given the opportunity to become academies, allowing them to claim refunds of VAT they paid when purchasing goods and services for their nonbusiness activities.

In October 2015, Her Majesty’s Revenue and Customs (HMRC) announced it would extend the transitional period for the use of the concession known as the “70/30” split by one year to 31 December 2016. The 70/30 split is commonly used by employers operating defined benefit schemes to recover VAT on pension fund costs. HMRC has indicated that further guidance will be issued before that date. In the meantime, businesses are reviewing the optimal VAT recovery position.

HMRC also announced the introduction of a “domestic reverse charge,” effective 1 February 2016, for wholesale supplies of electronic communication services. The reverse charge will apply to the services of routing telephone calls and associated data (text, images) over landlines, mobile networks and the internet. It will not apply to non-wholesale supplies or to businesses not registered or not liable to be registered for VAT.

United States

The United States does not impose a national-level sales tax or VAT. Rather, sales taxes and complementary use taxes are imposed and administered at the state (subnational) and local (substate) levels. As a result, the US has more than 7,500 potential taxing jurisdictions for sales and use tax purposes. Adding to this complexity, sales and use taxes generally are not applied uniformly among jurisdictions.

Despite the various state and local applications, the tax laws share a number of common issues, trends and developments. The most significant involves the effort of a number of states and the federal government to enact legislation that would require “remote sellers” (e.g., vendors that sell taxable goods to customers in other states) to collect and remit tax on multi-state sales.

Under current US law, a remote seller must collect and remit sales and use taxes only if it has physical presence (known as “nexus”) within the taxing state. Such presence may be direct or imputed based on the activities of third parties that serve to establish and maintain a market for the remote seller’s business. If the seller lacks nexus, customers are required to self-assess and pay the tax on their purchases.

For a number of years, the states have sought to eliminate or expand the physical presence requirement through legislation. Examples of this trend include:

- ▶ In 2008 and 2009, New York, North Carolina and Rhode Island adopted laws that require nonresident online retailers to collect tax on sales to in-state customers if the retailer contracted with a resident to refer potential customers to the seller (so-called click-through provisions). In November 2010, the New York statute was upheld as constitutional by a New York state appellate court and, on 2 December 2013, the United States Supreme Court declined to hear an appeal of that decision. Conversely, Illinois’ version of the click-through provision was struck down by the state’s highest court. The state passed a similar version of the law

in 2014.

- ▶ In 2011 and 2012, about 23 additional states either adopted or considered similar click-through legislation and, in 2013 and 2014, eight more states followed suit. Given the recent Supreme Court decision upholding such laws, more states are expected to adopt similar provisions.
- ▶ In 2010, Colorado adopted a law that would have created a presumption that a remote seller had nexus with the state for sales and use tax collection purposes if the seller was a member of a controlled group with at least one member that is a retailer within the state. Sellers in Colorado that were not members of such controlled groups must provide the state’s Department of Revenue with identifying information about each Colorado customer, including their names, addresses and the amount of their taxable purchases for the year, or face a per-customer penalty. In January 2011, shortly before that law was to take effect, a federal court issued an injunction blocking it. While the statute was ultimately declared unconstitutional and was struck down in March 2012, a federal appeals court vacated that ruling in August 2013. As of January 2016, the injunction remains in place as the federal courts decide whether the statute violates the US Constitution. In March 2015, the US Supreme Court concluded that this issue could be decided in the federal courts. A noteworthy concurring opinion by Supreme Court Justice Anthony Kennedy directly called into question the continued viability of the physical presence nexus standard.
- ▶ In response to Justice Kennedy’s concurring opinion, Alabama adopted legislation in August 2015 that would apply an economic presence nexus standard for sales and use tax collection. The state’s Department of Revenue has acknowledged that the new law, effective 1 January 2016, violates current constitutional standards, but officials hope the

United States (continued)

expected legal challenges ultimately will force a change to existing law regarding the states' ability to compel remote sellers to collect and remit tax on sales to in-state customers.

- ▶ New York (2009) and Oklahoma (2010) adopted nexus presumption statutes with respect to controlled group members, but neither state enacted a reporting requirement similar to Colorado's. Between 2011 and 2015, 17 more states adopted, and more than 20 states considered enacting, similar controlled group/affiliate presumption statutes. Louisiana adopted a version of the statute in 2015. However, Louisiana Gov. Bobby Jindal vetoed it.
- ▶ Since 2010, Oklahoma has required remote sellers to notify customers on their websites, catalogs and invoices that use tax is due and that the customer is required to self-assess and pay the tax. At least 10 additional states adopted or considered similar sales and use tax reporting statutes in 2011 and 2015.
- ▶ In 2011, South Carolina and Texas enacted legislation specifying that operation of an in-state warehouse or distribution center, either directly or through an affiliate, would create nexus for a remote seller. Similar measures were passed in Georgia and Virginia in 2013 and in Colorado in 2014, with seven more states proposing such measures. In 2011, both South Carolina and Tennessee enacted legislation that would exempt certain remote sellers from having to collect sales and use taxes on transactions with in-state residents, to the extent that the remote seller opened a new distribution center and met minimum investment and job creation thresholds. South Carolina's measure was directly related to the legislation described immediately above. In 2012, a number of other states enacted similar provisions, while at least one state (Georgia) passed a law expressly prohibiting such agreements with remote sellers.
- ▶ On 6 May 2013, the US Senate passed the Marketplace Fairness Act of 2013. The act did not pass in the US House of Representatives and died on 3 January 2015, when the 113th Congress ended.

New versions of the bill were introduced in 2015, none of which are expected to pass in 2016. As such, absent some activity by the US Supreme Court to nullify the physical presence standard, states are expected to keep passing nexus legislation, as described above.

- ▶ Here are other common themes related to sales and use taxes in a number of states:
 - ▶ Sales and use tax will increasingly be applied to transactions involving non-tangible goods (e.g., remote access and electronically delivered software, digital music and books). While treatment is not consistent across the states, the trend toward taxation of intangibles and services is likely to continue in 2016 and beyond.
 - ▶ Treatment of specified IT service transactions, including data processing, "cloud computing" and "information services," should continue to face scrutiny from state lawmakers.
 - ▶ As in past years, a number of states announced in 2015 that they were considering expanding their sales and use tax laws to cover a wide range of service transactions. One notable example occurred at the local level, in the city of Chicago, Illinois, where, in 2015, the Chicago Department of Finance issued two rulings that: 1) expanded, effective 1 January 2016, the city's 9% (subsequently reduced to 5.25 % for non-possessory leases) personal property lease transaction tax to cover most software as a service (SaaS), web-hosting, cloud computing, and similar transactions; and 2) applied, effective 1 September 2015, the city's 9% amusement tax to certain types of entertainment accessed electronically (e.g., streaming television, movies, music and games). While Chicago is not the first jurisdiction to try to tax such services, it is significant that the action was taken by expanding the scope of other types of transaction-based taxes. A legal challenge was filed against the expanded amusement tax in September 2015, and a similar challenge was expected against the transaction tax once it took effect.

United States

- ▶ Limitation of exemptions for related-party and other “historically exempt” business transactions, such as contributions, spin-offs and business line sales, may be reduced or unavailable in more states.

In 2014 and 2015, a number of states limited the application and availability of state tax incentive programs aimed at taxpayers that create higher numbers of new jobs or invest significantly more capital within the state than under previous programs. In many cases, states offering such programs began applying more rigorous testing standards to ensure that their tax investments yield actual results (e.g., new jobs and infrastructure). This trend is expected to continue through 2016.

As in recent years, fewer states are expected to offer full-scale sales and use tax amnesty programs. Under a typical state tax amnesty program, taxpayers that have previous taxes due are allowed to register and satisfy their outstanding liabilities with reduced penalty and/or interest rates. Rather than tax amnesties, most states continue to increase enforcement through more frequent and aggressive audits, with a particular focus on exemption qualifications. Areas of focus include proper use of exemption certificates, timely registration in states where the seller has nexus, and proper sourcing of multi-state use, e.g., software seat licenses.

Uruguay

Effective 1 January 2016, the international postal parcels regime has been changed to reduce the number of parcels taxpayers may import tax-free and to streamline the information that must be provided to National Customs.

A decree published on 8 January 2016 changes VAT applicable to some restaurant services in Uruguay as follows:

- ▶ Restaurant services provided to nonresident persons are considered exports of services for VAT purposes and, therefore, are not taxed if charged

to the guest's account (previously excluded as export for VAT purposes).

- ▶ Restaurant services supplied by hotels, apart-hotels and rural tourism places for the purpose of lodging guests are subject to a reduced VAT rate of 10% if the services are charged to the guest's account.

Zambia

Effective 1 January 2016:

- ▶ VAT is removed from non-life insurance, but a 3% levy is introduced on all insurance premiums.

- ▶ The period for claiming input VAT in the electricity generation sector is increased from 2 years to 4 years.

Zimbabwe

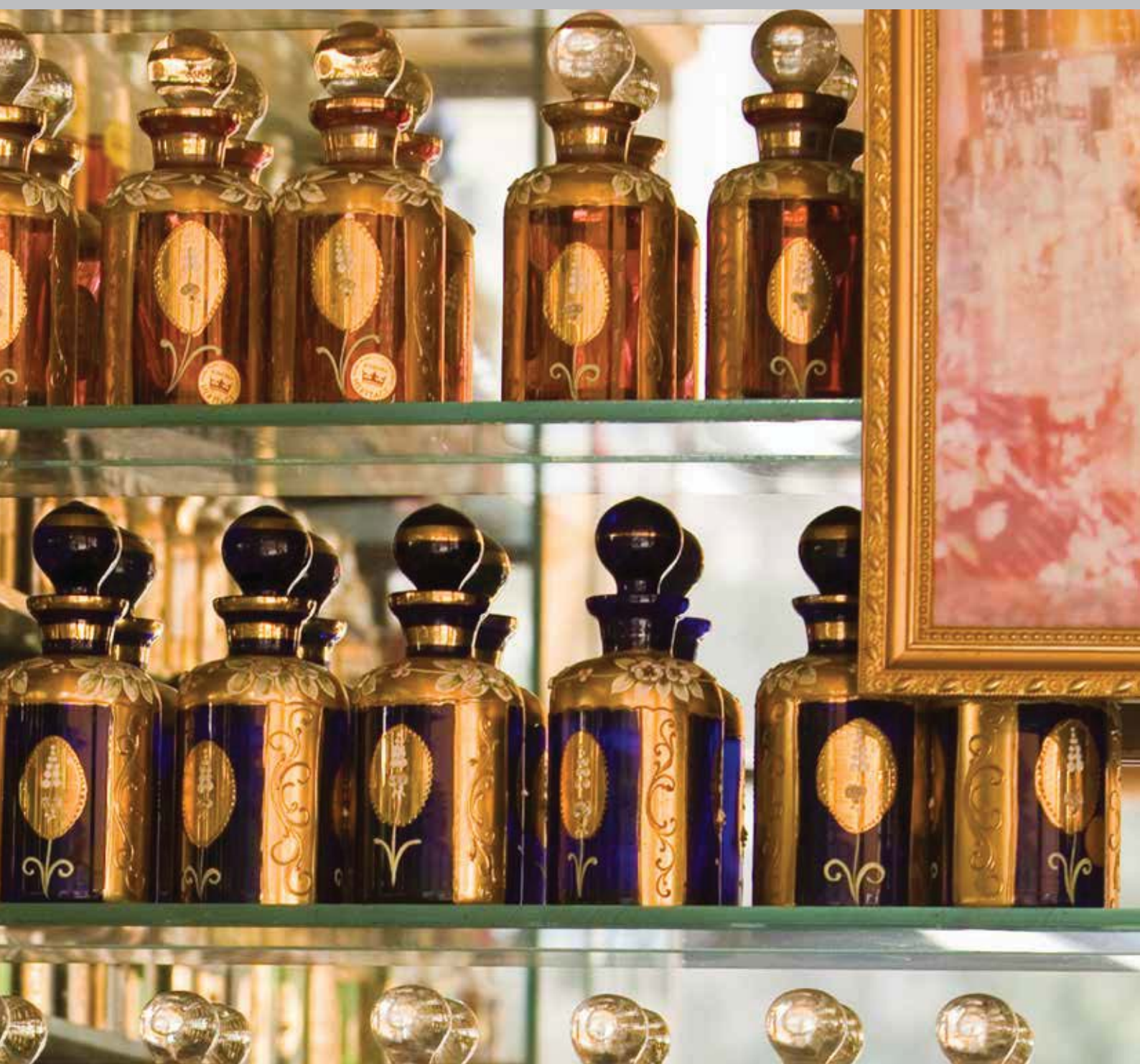
The 15% export tax on unprocessed platinum, which was to commence on 1

January 2015, has been deferred until 1 January 2017.

Excise and other indirect taxes



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Excise and other indirect taxes

Canada

1 April 2016: Alberta increased IPT rates on insurance contracts by 1%

United States

Until 31 December 2017: 2.3% medical device excise tax is suspended

Iceland

1 January 2016: import duties on clothing and footwear are abolished
1 January 2017: import duties on most foods are abolished

Ireland

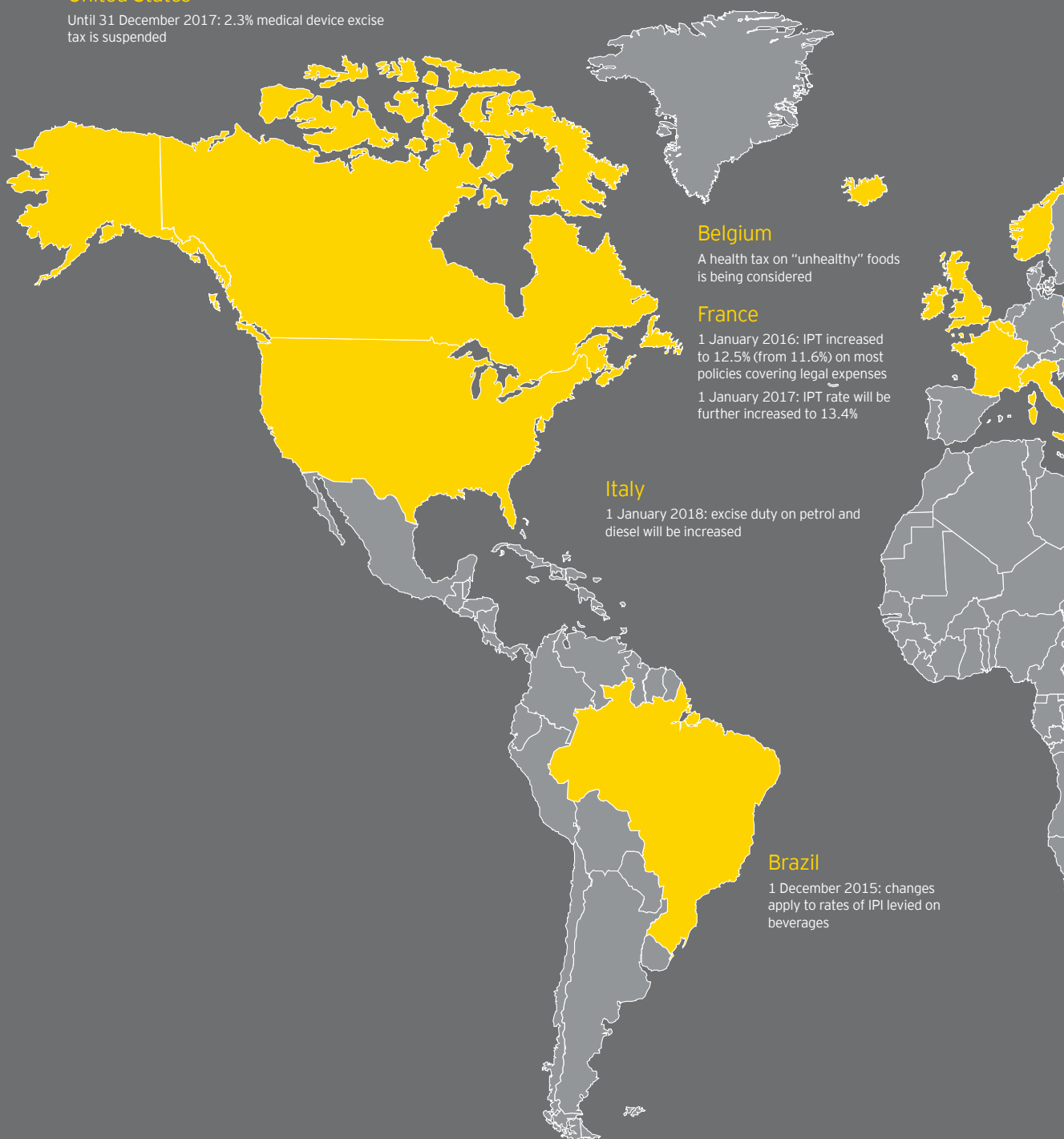
13 October 2015: excise duty increased by EUR0.50 per packet of 20 cigarettes and on a pro rata basis for other tobacco products

Norway

1 April 2016: introduction of air passenger excise duty of NOK80 per passenger

United Kingdom

1 August 2015: removal of Climate Change Levy (CCL) exemption for renewable electricity
1 November 2015: standard rate of IPT increased to 9.5% (from 6%)
1 April 2017: new vehicle excise duty banding system will be introduced



Belgium

A health tax on "unhealthy" foods is being considered

France

1 January 2016: IPT increased to 12.5% (from 11.6%) on most policies covering legal expenses
1 January 2017: IPT rate will be further increased to 13.4%

Italy

1 January 2018: excise duty on petrol and diesel will be increased

Brazil

1 December 2015: changes apply to rates of IPI levied on beverages

Hungary

1 January 2016: recoverable excise duty on commercial gasoline was reduced to HUF7 (from HUF11) per liter

1 January 2016: all environmentally friendly cars qualify for duty exemption

1 January 2016: the concept of packaging is extended for green tax purposes

1 January 2016: a flat green tax is introduced for taxable parts of motor vehicles

Georgia

1 January 2016: excise duties increased on cigarettes and cigars, chewing tobacco and on certain alcoholic beverages

Greece

16 July 2015: standard rate of IPT was increased on many insurance policies

San Marino

4 August 2015: insurance policies relating to aircraft in the San Marino Registry are exempt from 4% insurance tax

Latvia

1 January 2016: excise duties on petrol, diesel, alcoholic beverages and smoking tobacco are increased

Poland

1 January 2016: excise duty exemption for energy-intensive entities extended to start-up businesses that use coal or natural gas products

1 April 2016: new tax introduced for retail sales (including online)

Serbia

1 August 2015: electricity subject to 7.5% excise tax at final consumption stage



Russia

1 January 2016: excise duty rates are amended for certain vehicles, fuel, alcohol and tobacco

China

1 January 2016: changes apply to import duties on key technical equipment

Vietnam

1 January 2016: increase in special consumption tax rates on alcohol and cigarettes

1 January 2016: reduction of special consumption tax rates on biofuels

Egypt

2 October 2015: tax on departing flights from Egypt was increased

Kenya

1 December 2015: excise duty now applies to electronic cigarettes and cartridges, and some types of motorcycles

1 December 2015: excise duty removed from cosmetics and other beauty products that do not have harmful effects

South Africa

1 January 2017: carbon tax expected to be introduced

Sri Lanka

1 January 2016: rate of nation building tax (NBT) increased to 4% (from 2%)

Zambia

1 January 2016: excise duty rate on clear beer is reduced to 40% (from 60%)

1 January 2016: specific excise duty rate on cigarettes is increased

Australia

1 July 2015: excise duty rate for domestically manufactured biodiesel and fuel ethanol was reduced to zero

1 July 2016: excise duty rates for domestically produced biofuels will increase

Excise and other indirect tax changes

Argentina

Effective 6 January 2016, automobiles and motorcycles are subject to excise tax when their taxable bases exceed ARS350,000 and ARS65,000, respectively. The excise tax rate that applies depends on the corresponding value.

The excise tax suspension on the sale of champagne and similar sparkling wines was extended to 31 January 2016.

On 2 November 2015, an additional benefit (rebate) was re-established for exports channeled through Patagonian ports and customs (under certain

conditions). The applicable rate ranges from 8% to 13% of the export free on board (FOB) value plus – depending on the shipment port – certain adjustments less the value of any temporarily imported supplies. The rebate will be effective for five years.

Argentina's new Government recently eliminated export duties for agricultural products (except for soy, for which the rate was reduced from 35% to 30%). In general, export duties for industrial products were also repealed (except for certain cases).

Armenia

Effective 1 January 2016, excise taxes for certain goods were increased to bring the rates of excise duties in line with those

applied in other countries of the Eurasian Economic Union.

Australia

Australian legislation has been passed confirming the reintroduction of biannual indexation of fuel excise rates that took effect retrospectively from 10 November 2014. Rates are adjusted in February and August each year in line with the Consumer Price Index.

Effective 1 July 2015, the excise duty rate for domestically manufactured biodiesel and fuel ethanol was reduced to zero.

Effective 1 July 2016, excise duty rates for domestically manufactured biofuels will increase gradually as follows:

- ▶ Fuel ethanol will increase annually until it reaches the final rate of approximately 50% of the full petrol and diesel excise rate. The final excise rate will be in place from 1 July 2020.
- ▶ Biodiesel will increase annually until it reaches the final rate of approximately 50% of the full petrol and diesel excise rate. The final excise rate will be in place from 1 July 2030.

The luxury car tax threshold for fuel-efficient cars has remained unchanged

for the 2015-16 financial year at AUD75,375. However, the threshold for all other vehicles has increased from AUD61,884 to AUD63,184.

Effective 1 July 2015, the insurance duty imposed on all insurance policies was reduced in the Australian Capital Territory (ACT). From that date, the rates are:

- ▶ Reduced from 4% to 2% on general insurance policies
- ▶ Reduced from 2% to 1% on life insurance policies that are term, temporary or insurance rider policies of the first year's premium

The stamp duty for all other life insurance contracts remains at 20 cents on the first AUD2,000, or part of AUD2,000 of the total sum insured plus 4 cents for every AUD200, or part of AUD200 of the total sum insured that is more than AUD2,000.

As part of ACT's taxation reform measures, the stamp duty rate on general insurance is being reduced by 20% each year until 1 July 2016, when the tax rate for general Insurance premiums will be reduced to zero.

Australia (continued)

Effective 1 July 2015, insurance duty on life insurance policies has been abolished in the Northern Territory. However, any part of a life insurance policy that relates to a life insurance rider will be taxable as

general insurance at the tax rate of 10% of the premium. This change applies to any life insurance policies issued on or after 1 July 2015, other than group insurance policies.

Belgium

Effective 1 November 2015, the rates of excise duty on alcohol and alcoholic beverages and on gas oil used as fuel were increased.

Effective 1 January 2016, the rates of excise tax (duty) on nonalcoholic beverages, coffee, cigarettes and fine-cut tobacco were increased.

A tax on "unhealthy foods" is also being considered.

Brazil

Effective 1 December 2015, changes apply to the rates of tax on manufactured products (*Imposto sobre Produtos Industrializados* – IPI) levied on beverages. The amended rates include:

- ▶ 10% to 20% for listed wines
- ▶ 25% for rum and similar beverages
- ▶ 30% for whiskey, gin, vodka and other liquor

A number of tax and administrative measures have been proposed in Brazil that seek to reduce the forecast deficit, including:

- ▶ The reduction of REINTEGRA, a tax incentive for export companies. It is a refund of the taxes paid on the production chain of exported products. The refund rate varies from 0.1% to 3%. Under the proposal, the rate would be limited to 0.1% in 2016, 1% in 2017 and 2% in 2018, and would return to 3% in 2019.
- ▶ The reintroduction of a tax on financial transactions (CPMF) – a social contribution used to fund the public health and social security systems that was in force until it was repealed in 2007.

Bulgaria

Effective 1 January 2016, the law governing excise duty and tax warehouses expanded the definition of "energy products used for heating purposes" that are subject to the excise tax. Taxpayers affected by this change may have additional excise tax liabilities for energy products.

Effective 1 January 2016, the specific excise for cigarettes is reduced by BGN70 per 1,000 pieces. The proportional excise rate on these products is also reduced as follows:

- ▶ 38% of the sales price from 1 January 2016

- ▶ 40% of the sales price from 1 January 2017
- ▶ 42% of the sales price from 1 January 2018

Effective 1 January 2016, the excise rates of several energy products (including for heating purposes) are increased:

- ▶ Diesel – BGN646 per 1,000 liters
- ▶ Heavy fuel oil – BGN400 per 1,000 kilograms
- ▶ Kerosene – BGN646 per 1,000 liters

Canada

Effective 1 February 2016, the consumption tax rate on tobacco products in New Brunswick increased by 3.26 cents per cigarette and per gram of loose or fine-cut tobacco. Effective 1 February 2017 the rate on these products will increase by a further 3.26 cents.

Effective 1 April 2016, the insurance premium tax (IPT) rate levied on insurance

contracts in Alberta will be increased by 1%.

The applicable tax rates are:

- 3% on life, accident and health insurance policies
- 4% on all other non-life insurance policies

China

Effective 1 January 2016, changes apply to import duties on key technical equipment as follows:

- A catalog of key technical equipment and products supported by the Government and a catalog of key components and raw materials imported for key technical equipment and products have been revised. Qualified domestic enterprises are exempt from customs duties and import VAT on equipment or products listed in the catalogs.

- A revised catalog of dutiable (nonexempt) key technical equipment and products applies.
- A number of provisions of the regulations on import duties have been revised and repealed.
- The tax exemption for the production of axial hydro turbines ceased to apply.

Effective from 1 October 2015 to 31 December 2016, the vehicle purchase tax is reduced to 5% for passenger vehicles with engines of 1.6 liters or less.

Croatia

Effective 1 January 2016, certain changes apply to fees paid to the Croatian Financial Services Supervisory Agency:

- The deadline has changed for the yearly lump-sum fee payable by insurance/reinsurance companies established in other Member States that provide services in Croatia directly (FOS insurers) or through a branch office. The new deadline will be no later than one month after the day when the statistical report was filed. (The previous deadline was no later than three months from the last day of the year for which the fee was calculated.)
- The rate for calculating the quarterly fee paid by a credit institution or investment company on the value of financial instruments (except derivatives) acquired for its own behalf is 0.014%. This fee was not prescribed in previous years.
- The rate for calculating the quarterly fees paid by a credit institution or investment company on the revenues gained on its own behalf amounts to 0.005% for revenues up HRK10 billion and 0.001% for revenues greater than HRK10 billion.

Czech Republic

Effective 1 January 2016, the excise duty was increased for cigarettes by approximately CZK3 per pack. Cigarettes with the old tax rate can be sold only until March 2016.

Effective 1 January 2016, excise duty benefits for the pure biofuels and mineral oils with high portions of bio-component were reduced.

Denmark

Effective 1 July 2015, roadside assistance and breakdown coverage supplied by roadside assistance companies became subject to the 1.1% tax on non-life insurance.

Effective 1 January 2016, the car registration tax on new vehicles was reduced from 180% to 150%.

Effective 1 April 2016, grid companies will no longer charge Danish consumers energy taxes on electricity but will charge companies selling electricity to Danish consumers. Electricity trade companies must meet the requirements set by the tax authorities for invoicing energy taxes to consumers liable for the refund of energy taxes.

Egypt

Effective 2 October 2015, the tax on departing flights from Egypt was increased – by a third to EGP400 for

business-class tickets and by half to EGP150 for coach tickets.

El Salvador

Effective 13 November 2015, a special contribution of 5% on telecommunications services applies.

Estonia

On 8 December 2015, Estonia withdrew from the proposed European financial transaction tax.

European Union

The European Commission announced the withdrawal of a proposal to reform the Energy Tax Directive in 2015 because Council negotiations resulted in a draft

compromise text that fully denatured the substance of the Commission proposal and, moreover, the Council could not agree even on the denatured draft.

Fiji

Fiji's 2016 budget proposals include:

- ▶ An environmental levy of 6% on tourism-related activity by businesses
- ▶ An increase in the credit card levy from 2% to 3%

- ▶ Various changes to the rates for customs and excise duties on taxable products
- ▶ A waiver of stamp duty for small and micro-enterprises

Finland

The tax on tobacco is being increased in four phases from 1 January 2016 to 1 July 2017, resulting in cigarette prices that are 19.2% higher, on average.

Effective 1 January 2016:

- ▶ Liquefied petroleum gas became subject to excise duty.
- ▶ The carbon dioxide tax for light and heavy fuel oil, coal, natural gas and liquefied gas increased. The increase in taxation also raises the excise duty level of the products in question by approximately 14%.

Effective 1 January 2017, intended changes to the Act on Excise Duty on Electricity and Certain Fuels mean that the electricity consumed in mining and quarrying will be moved from the higher tax category back to the reduced tax category and that mining will be returned as a sector that is in the scope for tax refunds for energy-intensive industry.

France

Effective 1 January 2016, the contribution to the guarantee fund for compensation for terrorist attack victims was increased from a lump sum of EUR3.30 to EUR4.30 per insurance policy.

Effective 1 January 2016, the IPT rate on most policies covering legal expenses was increased from 11.6% to 12.5%; from 1 January 2017, the rate will rise to 13.4%.

Effective 1 January 2016, the Social Security Charge of 15% due on motor liability contracts was abolished. For agricultural and commercial land motor vehicles heavier than 3.5 tons, the IPT status for compulsory third-party motor liability policies changed from exempt to 15%. For all other compulsory third-party motor liability policies, IPT rates rose from 18% to 33%.

Effective 1 January 2016, the IPT rates of 7% and 14% have been abolished, and other health insurance contracts mentioned in the French Social Security Code (FSSC) have become exempt from IPT, e.g., *Solidaires et Responsables* (the policyholder is not subject to a medical examination) and *Non Solidaires et Responsables* (the policyholder is subject to a medical examination) contracts.

However, according to changes to the FSSC announced in December 2014 and effective 1 January 2016, these contracts are instead subject to a levy to finance the *Couverture Maladie Universelle* (universal health care coverage). The following tax rates apply on these premiums:

- ▶ 13.27% for health insurance contracts deemed *Solidaires et Responsables* and supplementary to the French national health system (*Assurance-Maladie*)
- ▶ 6.27% for guarantees that satisfy criteria outlined in the French tax code (i.e., group insurance and collective operations subscribed by a company, a group of companies or a professional association for its employees)
- ▶ 20.27% for health insurance contracts deemed *Non Solidaires et Responsables* and supplementary to the French national health system
- ▶ 7% for health insurance contracts deemed *Solidaires et Responsables* and not supplementary to the French national health system
- ▶ 14% for health insurance contracts deemed *Non Solidaires et Responsables* and not supplementary to the French national health system

France and overseas departments (French Guiana, Guadeloupe, Martinique and Reunion)

Effective 1 January 2016, the excise duty rates applicable to alcohol, alcoholic beverages, nonalcoholic beverages and energy products have been updated.

Effective 1 January 2016, substantial changes related to energy products entered into force:

- ▶ The rates of the consumption tax on natural gas (TICGN) and the consumption tax on energy products (TICPE) increased.
- ▶ The final electricity consumption tax (TICFE) has been absorbed into the tax contribution to the public

service charges for electricity (CSPE). Customs authorities are responsible for administering the new tax. The rate of the new CSPE is fixed at EUR22.50 per MWh. (Until 2016, the rate of the TICFE was EUR0.50 per MWh, and the rate of the CSPE amounted to EUR19.50 per MWh). This reform is coupled with various changes in the CSPE legislation, notably to exemption rules (provided by the TICFE legislation and abolished by the reform) and the definition of "enterprises" or "electro-intensive establishments."

Germany

The German authorities have issued a number of decrees on energy and electricity taxation:

- ▶ Detailed guidance has been provided on the scope of energy and electricity tax relief for special industrial processes. In particular, the scope of the preferred manufacturing processes is defined and illustrated with sample cases. Additionally, the formal documentation requirements are increased so that, going forward, estimation procedures to determine the preferred energy amounts will be accepted only under very strict conditions.
- ▶ Specific official guidance has been issued on electricity tax relief for electricity generated from renewable

sources where additional state aid is claimed based on the renewable-energy act or the act on combined power generation. Claims made for both energy tax relief and aid based on these specific regimes have been challenged. In some cases, electricity tax relief has been refused for the state-aided electricity amounts.

On 1 July 2015, new legislation takes effect on the introduction of separate state aid reporting obligations for businesses claiming energy tax relief.

The German Alcohol Monopoly will be abolished and, effective 1 January 2018, replaced by a new Alcohol Excise Tax Act, which will fulfill all EU requirements.

Georgia

Effective 1 January 2016, excise duties have increased on cigarettes and cigars,

chewing tobacco and certain alcoholic beverages.

Greece

Effective 16 July 2015, the standard rate of IPT was increased on claimable premiums and insurance rights recognized under an insurance policy agreement (apart from life and fire insurance).

The applicable tax rates are:

- ▶ 20% tax on fire insurance (no change)
- ▶ 15% tax on car insurance (up from 10%)

- ▶ 4% tax on life insurance (no change)
- ▶ 15% tax on all other types of insurance (up from 10%)

The new legislation waived any exemption from insurance tax (such as the exemption for vessels and aircraft) except for life insurance exceeding a 10-year duration.

Hungary

The National Tax and Customs Administration has been restructured into a centralized, two-tier authority controlled by the State Secretary of the Ministry for National Economy.

Effective 1 January 2016, taxpayers can reduce the amount of public health product tax payable – up to 10% – by the costs of programs they organize to promote health education, good nutrition or sports, if the programs are accessible for free by any private persons.

Effective 1 January 2016, the following changes apply:

- ▶ The amount of recoverable excise duty for commercial gasoline was decreased from HUF11 per liter to HUF7 per liter.
- ▶ Taxation for the private production of *pálinka* (the home production of distillate) will be undertaken by applying distillation tax seals.
- ▶ The threshold above which the excise duty collected from distillates produced through toll distillation must be deposited with the tax authority increased from HUF200,000 to HUF500,000 without increasing the excise guarantee required of toll distilleries. Toll distillers also become eligible to pay the excise duty on toll distillation by bank transfer, while the option to pay by cash is also available.
- ▶ The deadline for issuing tax warehouse licenses was decreased from 60 to 45 days. For registered traders, the deadline was decreased from 45 to 35 days. And for tax-free user licenses, the

deadline was decreased from 30 to 21 days.

- ▶ The range of motor vehicles subject to duty exemption was extended beyond electric motor vehicles to other environmentally friendly cars, including zero-emission cars, pure electric cars, hybrid electric cars (plug-in hybrids) charged by external sources, and extended-range hybrid electric vehicles.

Effective 1 January 2016, the following green tax changes will apply:

- ▶ The concept of packaging will be extended. In addition to the current primary, secondary and tertiary packaging, any other item that functions as packaging or a component or composite of packaging will qualify as packaging unless the given item forms an integral part of the product.
- ▶ Products filled or intended to be filled at the place of sale, as well as disposable goods, also qualify as packaging.
- ▶ For goods that arrived packaged from abroad, the green tax liability will be borne by the taxpayer performing the first sale of the goods in Hungary or by the holder of the packaging waste if the goods are unwrapped before the first domestic sale.
- ▶ In the future, not only goods that are subject to green tax can be produced in industrial green tax warehouses, but also goods that are not subject to green tax but that have parts or accessories on which green tax is payable.

Hungary (continued)

- ▶ The tariff classification rules effective 1 January 2010 will be applied for the entire green tax legislation.
- ▶ The definitions contained in the 2012 Act CLXXXV on waste are implicitly necessary to apply to green tax matters as well.
- ▶ The legal consequences of the green tax will be fine-tuned. The set of rules for the sanctions related to green tax follow the arrangements in the Act on Tax Procedures, but higher levels of penalties remain in place compared with those set forth in the Act on Tax Procedures. Accordingly, the institution of late-payment interest will be introduced for green tax legislation as well, and the concept of green tax shortage, green tax difference and outstanding green tax liability will apply. The modification also states that the rules of the Act on Tax Procedures apply to the mitigation and waiver of outstanding green tax liabilities, penalties or late-payment interest liabilities.
- ▶ An option to pay a flat green tax rate for taxable parts of motor vehicles will be introduced. The tax rate will be between HUF1,500 (approximately EUR5) and HUF7,000 (approximately EUR24) per motor vehicle, depending on the customs tariff code and the cylinder capacity of the motor vehicle.
- ▶ Persons who perform individual waste management services must comply with their reporting obligation annually by 20 April in the year following the reference year, and they must report and pay a tax advance annually by 20 December in the reference year.

Iceland

Effective 1 January 2016, import duties on clothing and footwear are abolished.

Effective 1 January 2017, import duties other than on specified foods will also be abolished.

Iraq

Effective 1 January 2016, an airport tax is introduced at a rate of IQD25,000

(approximately EUR21 or USD23) per international flight ticket.

Ireland

Effective 13 October 2015, the excise duty rate on a packet of 20 cigarettes was increased by EURO.50 (including VAT) and on a pro rata basis for other tobacco products.

The relief reducing the standard rate of alcohol products tax by 50% on beers made by microbreweries that produce not more than 30,000 hectoliters per year is now available up-front as well as through a rebate.

Italy

The increase in fuel excise duties originally planned for 2016 by Law No. 190 of 23 December 2014 has been repealed.

Effective 1 January 2018, the excise duty on petrol and leaded petrol and the rate of excise duty on diesel used as fuel will be increased to ensure net revenues of no less than EUR350 million for 2018.

Kazakhstan

Effective 25 November 2015, the following excise tax amendments apply:

- ▶ An increase in the tax rate for wholesale sales made by producers of petrol (except aviation fuel) and for diesel fuel for own production from KZT 4,500 to KZT 10,500 per ton
- ▶ An increase in the tax rate for retail sales made by producers of petrol (except for aviation fuel) and for diesel fuel used for own production purposes from KZT 5,000 to KZT 11,000 per ton
- ▶ An increase in the excise tax rate for the transfer of excisable goods that are products used for tolling from KZT 4,500 to KZT 10,500 per ton

Effective 1 January 2016, the following excise tax amendments apply:

- ▶ A reduction in the tax rate for alcohol products (except cognac, brandy, wine, wine material, beer and beer beverages) from KZT 1,380 to KZT 1,200 per liter

- ▶ A reduction in the tax rate for filter cigarettes from KZT 5,000 to KZT 3,900 per 1,000 packs
- ▶ A reduction in the tax rate for unfiltered cigarettes from KZT 5,000 to KZT 3,900 per 1,000 packs
- ▶ A reduction in the tax rate for cigarillos from KZT 6,225 to KZT 4,800 per 1,000 packs
- ▶ A reduction in the tax rate for cigars from KZT 750 to KZT 620 per pack
- ▶ A reduction in the tax rate for pipe tobacco, chewing tobacco, snuff tobacco and hookah tobacco, packed into consumer containers and intended for end use (except for pharmaceutical products containing nicotine) from KZT 7,345 to KZT 4,900 per kilogram.

Effective 1 January 2016, individuals importing excisable goods for entrepreneurial purposes from the territory of a member-state of the Eurasian Economic Union (EAEU) are also taxpayers for excise tax purposes.

Kenya

On 1 December 2015, the Excise Duty Act 2015 took effect in Kenya. The key provisions are:

- ▶ A general shift from the use of both ad valorem and specific duty rates to generally specific duty rates except on food supplements and the supply of excisable services, which are charged at 10% of their excisable value
- ▶ An expansion of the definition of "other fees" to include any fees, charges or commissions charged by financial institutions related to their licensed financial institutions. It excludes interest on loans or returns on a loan or an insurance premium or premium-based or related commissions.

- ▶ An adjustment of specific rates of duty on excisable goods for inflation at the beginning of every financial year (i.e., 1 July)
- ▶ The removal of certain goods that do not have harmful effects from the list of excisable goods (e.g., cosmetics goods and other beauty products)
- ▶ The addition of new items to the list of excisable goods (e.g., electronic cigarettes and cartridges and some types of motorcycles)
- ▶ The introduction of miscellaneous provisions, including anti-avoidance provisions and higher penalties for offenses

Latvia

Effective 1 January 2016, excise duties on petrol, diesel, alcoholic beverages and smoking tobacco have been increased.

Madagascar

Effective 8 January 2016, the following increases in the rate of excise duty apply:

- Telephone and mobile network communication – increased to 10%.
- Alcoholic beverages:
 - Local and imported beer – increased to MGA290 per liter (from MGA250)
 - Rum – increased to MGA150 per liter (from MGA75) for local rum and to 260% (from 230%) for imported rum
 - Whiskey – increased to MGA1,820 per liter (from MGA1,450) for local whiskey and to 275% (from 250%) for imported whiskey
- Imported new vehicles are subject to excise duty at a rate of 10%

▸ The purchase or importation of the following goods is subject to prior authorization by the Tax Authority General Director:

- Alcohol and alcoholic products
- Tobacco and manufactured tobacco
- Nonalcoholic beverages – fruit or vegetable juice, aerated water

Effective 18 December 2015, the following goods are subject to excise duty:

- Fruit or vegetable juice – MGA25 per liter for local and imported products
- Aerated waters – MGA25 per liter for local and imported products

Malta

Effective 1 September 2015, the eco-contribution on waste electrical and

electronics equipment (WEEE) products was removed.

Mauritania

On 6 August 2015, the Mauritanian Parliament and Senate adopted a law that introduces amendments to the Finance Law for 2015, including an increase in excise tax on petroleum products by 30 ouguiya per liter/kilogram, except for

fuel oil. The tax authority also clarified that the tax base for import duties on petroleum products should be calculated based on the customs value of the imported petroleum products.

Mexico

Effective 1 January 2016, natural gas importation is exempt from customs processing fees.

Mongolia

Effective 1 October 2015, the Ulaanbaatar City Council applies a 1% municipal tax on payments for services

from restaurants, cafes, pubs and other venues in the city, and on the purchase of alcoholic beverages or tobacco.

The Netherlands

Effective 1 January 2016, the following changes apply:

- ▶ The excise duty on mineral oils (including liquefied petroleum gas and liquefied natural gas) increased by 0.005%.
- ▶ The excise duty on liquefied petroleum gas increased by EUR0.01 per kilogram.
- ▶ The lowest-rate excise duty applicable to beer increased by EUR1.24 per hectoliter.
- ▶ The consumption tax rate on nonalcoholic beverages increased to EUR8.83 per hectoliter, resulting in one rate that applies to all nonalcoholic beverages. This means an increase in excise duty of EUR0.03 for fruit juices, vegetable juices and mineral water, and of EUR0.01 for lemonade.
- ▶ The arrangement that allows refund of excise duty on gasoline vapor was withdrawn.
- ▶ It is possible to temporarily store excise goods outside an excise warehouse during their transport while awaiting further transport.
- ▶ The tax on waste materials has been set at EUR13.07 per 1,000 kilograms. Waste that is being recycled is exempt.
- ▶ The tax on coal increased to EUR14.47 per 1,000 kilograms, but coal used in a coal-fired power plant to produce energy is exempt.
- ▶ The rates of energy tax for natural gas per cubic meter increased as follows:
 - ▶ The rate up to 170,000 cubic meters is EUR0.25168.
 - ▶ The rate from 170,000 to 1 million cubic meters is EUR0.06954.
 - ▶ The rate from 1 million to 10 million cubic meters is EUR0.02537.
 - ▶ The rate for 10 million cubic meters and higher is EUR0.01212.
- ▶ The car purchase tax (in Dutch: BPM) is reduced by an average of 12% up to 2020.
- ▶ The motor vehicle tax (in Dutch: MRB) for regular cars is reduced by an average of 2%, and more tax is charged for older polluting diesel cars.

Effective 1 April 2016, the excise duty on tobacco will increase by EUR13.51 per kilogram. The duty on a package of 40 grams will increase by EUR0.54.

Norway

Effective 1 April 2016, air passenger excise duty will be introduced at a rate of NOK80 per passenger. This excise

duty will apply to both domestic and international flights departing from Norway.

Poland

Effective 1 January 2016, the following excise duty changes apply:

- ▶ Changes to the definitions of "simplified accompanying document," "invoice," "excise duty losses," "tobacco products sales agent," "delivery document" and "alternative proof of the suspension of collecting the excise duty"
- ▶ A registration requirement for tobacco products sales agents, replacing the current requirement of notification of commencement of sales activities
- ▶ An extension of the application of simplified customs procedures to the export of cosmetics containing alcohol
- ▶ An option to choose a single tax office for excise duty compliance if the taxpayer would ordinarily have to report to multiple offices

- ▶ An extension of the exemption from excise duty applicable to energy-intensive entities to start-up businesses that use coal or natural gas products
- ▶ A fine-tuning of the provisions applied to energy products that are taxed at zero rate

Effective 1 April 2016, a new retail tax is planned to be levied on retail sales (including online sales) made within the territory of Poland. The new tax has progressive rates – 0.7% for retailers with a turnover of PLN1.5 million to PLN300 million per month and 1.3% for retailers with a turnover in excess of PLN300 million. In addition, a rate of 1.9% applies to turnover generated on weekends and holidays. Before it is enacted, this tax must go through a legislative process, so further amendments may occur.

Romania

Effective 6 August 2015, small independent breweries that produce more than 200,000 hectoliters of beer in a

year are liable to pay the standard excise duty on the volume that exceeds this threshold.

Russia

Effective 1 January 2016, excise duty rates for certain goods are increased, including:

- ▶ Cars with engine capacity of more than 90 horsepower
- ▶ Petroleum for cars
- ▶ Wine (except wine with the protected geographical name)
- ▶ Beer
- ▶ Cigarettes

Effective 1 January 2016, excise duty rates for the following goods are decreased:

- ▶ Engine oils
- ▶ Straight-run petrol
- ▶ Wine with the protected geographical name

Effective 1 January 2016, a number of other changes also apply, including:

- ▶ A new type of excisable good is introduced called middle distillate (e.g., marine fuel).
- ▶ The definition is adjusted for some excisable goods, such as straight-run petrol.
- ▶ The procedure is changing for applying tax deductions upon calculation of excise duties, including, among other things:
 - ▶ Clarification of the deduction procedure for transactions involving straight-run petroleum
 - ▶ Changes in the deduction procedure for transactions involving middle distillates

San Marino

Effective 4 August 2015, all insurance policies relating to aircraft registered in

the San Marino Registry are exempt from insurance tax of 4%.

Saudi Arabia

Along with the other Gulf Cooperation Council member states, Saudi Arabia has decided to impose a uniform tax on tobacco products (at an expected rate of 100%), on energy drinks (at an expected rate of 100%) and on soft drinks (at an expected rate of 50%), according to the

local press. The Committee on Financial and Economic Cooperation was mandated to complete all necessary requirements for this decision in preparation for it to be signed by mid-2016, with final approval expected in early 2017.

Serbia

Effective 1 August 2015, electricity is subject to excise tax (duty), which is imposed on final consumption at a rate of 7.5%. The party responsible for

paying the excise tax (the taxpayer) is the entity deemed to be the supplier of the electricity for final consumption.

Slovakia

Effective 1 January 2016, the use of electronic communications by the customs authority to taxpayers was launched.

Effective 1 January 2016, the excise duty on cigars and cigarillos are charged based on weight rather than quantity at a rate of EUR71.11 per kilogram.

South Africa

On 2 November 2015, South Africa's National Treasury released a draft Carbon Tax Bill for public comment. The draft bill provides for the phased introduction of carbon tax effective 1 January 2017. The tax is to be implemented together with complementary measures such as a reduction in the electricity levy, a credit rebate for the renewable-energy premium, a tax incentive for energy efficiency savings, increased allocations for free basic electricity or alternative energy, and funding for public transport and initiatives to move freight from road to rail.

The carbon tax will be payable by persons conducting a "qualifying activity" that emits greenhouse gases (GHG), and it will be levied at the headline rate of R120 per ton of carbon dioxide equivalent (CO₂e). As a result of tax-free allowances that will remain fixed until 2020, the initial effective carbon tax range will be between R6 and R48 per ton of CO₂e. The carbon tax will be self-assessed and will be administered by the South African Revenue Service (SARS) through the Customs and Excise Act. The final tax rate, exemptions and implementation date will be determined by the Minister of Finance in the annual budget.

Sri Lanka

Effective 1 January 2016, the rate of nation building tax (NBT) charged to importers, manufacturers, service providers, and retail and wholesale businesses on their liable gross revenue of

the relevant quarter is increased from 2% to 4%. The general threshold to be liable for NBT is reduced from LKR3.75 million per quarter to LKR3 million per quarter.

Sweden

The following changes to the energy tax on electricity have been proposed and, if approved, are due to take effect on 1 January 2017:

- ▶ A uniform tax rate for electricity will be introduced.
- ▶ Tax relief will be abolished in certain municipalities in northern Sweden.

- ▶ Tax relief will be implemented for certain utilization areas, largely in the form of refunds.
- ▶ Large data centers will enjoy the same favorable tax treatment for electricity as the manufacturing industry.

Switzerland

Effective 1 January 2016, the Federal Council suspended customs duties for textiles until 31 December 2019. Customs duty rates coming into consideration are marked in the Swiss Tariff.

Effective 1 January 2016, more restrictive rules on duty-free warehouses and open customs warehouses apply.

The Swiss customs authorities can now demand further information on inventory recordings and customs declarations, and they have expanded procedural rules and deadlines for exports of goods from Switzerland.

Tanzania

The 2015 Finance Act introduced a railway development levy that is charged at a rate of 1.5% of customs value on imported goods and on goods entered for home consumption in mainland Tanzania in accordance with procedures applicable

under the East African Community Customs Management Act. The levy does not apply to goods exempted under the East African Community Customs Management Act, 2004.

Ukraine

Effective 1 March 2016, the following excise tax changes apply:

- ▶ The sale of fuel will be electronically administered. Sellers must issue an excise invoice (as introduced by the authorities) in electronic format for each tariff code of fuel and register the invoices in the Unified Register of Excise Invoices.
- ▶ The excise tax on alcoholic beverages and spirits will increase from 50% to 300%, and the rate for tobacco products will increase by 40%.
- ▶ The petrol excise tax will change from EUR202 per 1,000 kg to EUR171.5 per 1,000 liters. For diesel fuel, the rate has changed from EUR100 and EUR132 per 1,000 kg to EUR95 and EUR125.5 per 1,000 liters.

United Kingdom

Effective 5 October 2015, the UK Government introduced a mandatory charge in England of GBP0.05 for single-use plastic carrier bags. Small businesses and biodegradable bags that meet certain criteria are exempt. A similar charge already applies in Wales, Scotland and Northern Ireland.

Effective 1 November 2015, the standard rate of insurance premium tax (IPT) increased from 6% to 9.5% using the cash receipt method of accounting for all taxable premiums received by insurers or anyone acting on their behalf. If the insurer accounts for IPT under the special accounting scheme, a statutory concessionary period applies until 1 March 2016. During this period, 6% will apply to taxable premiums received under such contracts, but only if the policy had an inception date of before 1 November 2015, even if the tax point under the special accounting scheme fell on or after that date, provided that the tax point for those premiums occurs before 1 March 2016. The 9.5% rate applies to all taxable premiums received under contracts with an inception date on or after 1 November 2015.

Cars registered on or after 1 April 2017 will be subject to a new vehicle excise duty (VED) banding system. The new system will introduce a first-year rate that will vary according to the carbon dioxide emissions of the vehicle. It will introduce a flat standard rate of GBP140 for all cars whose emissions of carbon dioxide exceed 1 gram per kilometer. Cars emitting zero grams per kilometer will have a standard rate of zero applied. An additional supplement of GBP310 per year will be payable on cars with a list price above GBP40,000 for the first five years in which the standard rate is paid.

Effective in 2016, the UK Government will introduce measures to tighten tobacco anti-forestalling rules and apply penalties for noncompliance in order to prevent tax avoidance through the stockpiling of duty-paid products before an expected increase in the rate of duty. The Government is also consulting on the introduction of a new registration scheme for users and dealers of raw tobacco.

The climate change levy (CCL) exemption for renewable electricity has been removed for electricity generated on or after 1 August 2015. This measure affects renewable electricity generators and suppliers of renewable electricity to industrial or commercial and public sector consumers. During a transitional period from 1 August 2015 to 31 March 2018, the exemption can still be applied to electricity generated prior to that date, assuming the licensed supplier holds sufficient renewable levy exemption certificates (LECs) that relate to the electricity supplied under a renewable contract to the consumers.

The Government has reinstated most exemptions from the aggregates levy, which were suspended on 1 April 2014.

The Government is considering various options for air passenger duty (APD), including devolving APD within the English regions, varying APD rates across English airports and providing aid to English regional airports. These proposals could significantly increase the APD compliance burden for airline operators, which might need to administer multiple APD rates within the same country with extensive systems changes and re-pricing of flights. At the moment, there are 6 possible APD rates in the UK, but this proposal could lead to more than 20.

United States

Effective 1 January 2015, the 2.3% medical device excise tax has been suspended for two years (until 31

December 2017) for all sales of taxable medical devices.

Vietnam

Effective 1 January 2016:

- ▶ Aircraft used exclusively for national defense and security purposes are exempt from special consumption tax.
- ▶ The special consumption tax rates are increased on alcohol and cigarettes.
- ▶ The special consumption tax rates are reduced on biofuels.
- ▶ A special consumption tax on passenger cars with 24 or fewer seats takes effect.

Zambia

Effective 1 January 2016, the following excise duty changes apply:

- ▶ The rate on clear beer is reduced from 60% to 40%.
- ▶ The rate on plastic bags is increased from 10% to 20%.
- ▶ The specific excise duty rate on cigarettes is increased from ZMW90 per thousand to ZMW200 per thousand.
- ▶ A surcharge of ZMW2,000 is introduced on imported secondhand motor vehicles that are five years old or more.

Global trade



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Global trade – free trade agreements



European Union

October 2015 with Tunisia (negotiations launched for Deep and Comprehensive FTA)

Russia

February 2015 with Egypt (Customs Cooperation Agreements)

Azerbaijan

July 2015 with Russia (Mutual Recognition on Customs Controls)

October 2015 with Turkey (Joint Customs Committee Protocol)

Georgia (Eurasia)

January 2015 with Turkey (Customs Cooperation Agreement)

Israel

December 2015 with Vietnam (negotiations launched)

Pakistan

December 2015 with Turkey (negotiations continued for Bilateral FTA)

Iran

February 2015 with Turkmenistan (Agreement on Customs and Trade Facilitation)

August 2015 with Afghanistan (Memoranda of Understanding on Mutual Customs Cooperation)

United Arab Emirates

July 2015 with Switzerland

March 2015 with Morocco (Mutual Customs Administrative Assistance)

April 2015 with Ethiopia (Initial Customs Agreement for Mutual Technical Content)

India

June 2015 with Bangladesh (Agreements for Cooperation in trade, investment, education, climate change, and information and communication technology)

October 2015 with South Korea (Authorized Economic Operator Mutual Recognition Agreement)

Japan

February 2015 with Mongolia (Economic Partnership Agreement)

South Korea

Effective February 2015 with Mexico (Authorized Economic Operator and Mutual Recognition Arrangement)

March 2015 with New Zealand

May 2015 with ASEAN (Customs Cooperation Agreement)

September 2015 negotiations with six Central American countries

September 2015 with Kazakhstan (Customs Cooperation Agreement)

Effective December 2015 with EU

China

May 2015 with Kazakhstan (Memorandum of Understanding on Customs Cooperation)

June 2015 with Australia

Ratified December 2015 with South Korea

Malaysia

Effective August 2015 with Turkey

Singapore

January 2015 with Gulf Cooperation Council

November 2015 with Turkey

Vietnam

May 2015 with Eurasia Economic Union

June 2015 with Laos (Border Trade Agreement)

August 2015 with the EU (expected effective 2018)

March 2015 with Laos (FTA)

Ratified December 2015 with South Korea

New Zealand

October 2015 with EU (FTA negotiations launched)

Swaziland

June 2015 with COMESA (Common Market for Eastern and Southern Africa), EAC (East Africa Community), SADC (Southern African Development Community)

African Economic Communities

June 2015 with the South African Development Community (SADC), the East African Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA)

Free trade agreements

Free trade agreements (FTAs) and preferential trade agreements result from cooperation between at least two jurisdictions to reduce trade barriers, such as import quantity restrictions or import tariffs, and to increase trade with each other. The following FTAs or preferential trade agreements were signed in 2015 (to be effective once ratified by the respective nations); entered into force or were modified during 2015; or are slated to take effect during early 2016:

- ▶ The Economic Partnership Agreement between Australia and Japan (effective 15 January 2015)
- ▶ The Gulf Cooperation Council (GCC)-Singapore FTA (effective January 2015)
- ▶ New Zealand and South Korea FTA (signed March 2015)
- ▶ Vietnam and Laos FTA (signed March 2015)
- ▶ Jamaica and Costa Rica FTA (signed April 2015)
- ▶ Vietnam and the Eurasian Economic Union (Russia, Belarus, Kazakhstan and Armenia) FTA (signed 29 May 2015)
- ▶ The African economic communities, the South African Development Community (SADC), the East African Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA), Tripartite Free Trade Area (TFRA) Agreement (signed June 2015)
- ▶ Swaziland and COMESA-EAC-SADC Tripartite FTA (signed June 2015)
- ▶ Mexico and Panama FTA (signed April 2014; effective June 2015)
- ▶ United Arab Emirates and Switzerland FTA (effective 1 July 2015)
- ▶ Canada and Ukraine FTA (signed July 2015)
- ▶ Canada and Israel expanded and modernized Canada-Israel FTA (signed July 2015)
- ▶ Brazil and Peru Automotive Trade Agreement (negotiations underway in July 2015)
- ▶ Malaysia and Turkey FTA (effective August 2015)
- ▶ Vietnam and European Union FTA (signed August 2015; expected to take effect in 2018)
- ▶ South Korea and six Central American countries (Guatemala, Nicaragua, El Salvador, Honduras, Costa Rica and Panama) FTA (second round of negotiations in September 2015)
- ▶ The First Protocol (agreed amendment) to the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) (entered into force on 1 October 2015 for Australia, New Zealand, Brunei, Myanmar [Burma], Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam; the remaining two parties, Cambodia and Indonesia, are targeting implementation on 1 January 2016)
- ▶ Tunisia and the European Union Deep and Comprehensive Free Trade Agreement (negotiations launched October 2015)
- ▶ Mercosur and Egypt FTA (signed in 2010, pending ratification October 2015)
- ▶ New Zealand and the European Union FTA (negotiations launched in October 2015)
- ▶ Trans-Pacific Partnership Trade Agreement (12 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and the United States) (signed October 2015)
- ▶ Singapore and Turkey FTA (signed November 2015)
- ▶ Turkey and Pakistan Bilateral FTA (negotiations continued in December 2015)
- ▶ Vietnam and South Korea FTA (ratified December 2015)
- ▶ China and South Korea FTA (ratified December 2015)
- ▶ South Korea and EU FTA (effective 13 December 2015)
- ▶ Australia and China (effective 20 December 2015)
- ▶ Vietnam and Israel FTA (negotiations launched in December 2015)
- ▶ Australia and Japan (effective 15 January 2015)

Other trade agreements and customs cooperation agreements

A number of other agreements impacting trade were concluded during 2015.

Customs cooperation agreements, where countries share certain data to aid legal compliance, were drafted by numerous jurisdictions. Various trade agreements that do not provide reduced customs duties, but that foster trade in other ways, were also executed.

- ▶ Georgia and Turkey Customs Cooperation Agreement (signed January 2015)
- ▶ South Korea and Mexico Authorized Economic Operator (AEO) and Mutual Recognition Arrangement (MRA) (effective February 2015)
- ▶ Mongolia and Japan Economic Partnership Agreement (signed February 2015)
- ▶ Iran and Turkmenistan Agreement on Customs and Trade Facilitation (signed February 2015)
- ▶ Egypt and Russia Customs Cooperation Agreements (signed February 2015)
- ▶ Trinidad and Tobago and Guatemala Partial Scope Trade Agreement (signed February 2015)
- ▶ Morocco and the United Arab Emirates Mutual Customs Administrative Assistance (signed March 2015)
- ▶ United Arab Emirates and Ethiopia Initial Customs Agreement for Mutual Technical Content (signed April 2015)
- ▶ South Korea and ASEAN (Association of South East Asian Nations) Customs Cooperation Agreement (signed May 2015)
- ▶ China and Kazakhstan Memorandum of Understanding on Customs Cooperation (signed May 2015)
- ▶ Canada and Mexico Memorandum of Understanding enhancing cooperation on standards in sectors of strategic importance (signed May 2015)
- ▶ Vietnam and Laos Border Trade Agreement (signed June 2015)
- ▶ India and Bangladesh Agreements for Cooperation in areas of trade, investment, education, climate change and information and communication technology (signed June 2015)
- ▶ Azerbaijan and Russia Mutual Recognition on Customs Controls (signed July 2015)
- ▶ Mexico and Turkey Agreement of Mutual Customs Administrative Assistance and Exchange of Information (effective July 2015)
- ▶ Mexico and Argentina Agreement of Mutual Customs Administrative Assistance (effective July 2015)
- ▶ Colombia, Mexico, Chile, Peru *Alianza del Pacifico* (Agreement of the Pacific Alliance) (effective July 2015)
- ▶ Iran and Afghanistan Memoranda of Understanding on Mutual Customs Cooperation (signed August 2015)
- ▶ South Korea and Kazakhstan Customs Cooperation Agreement (signed September 2015)
- ▶ Azerbaijan and Turkey Joint Customs Committee Protocol (signed October 2015)
- ▶ India and South Korea Authorized Economic Operator Mutual Recognition Agreement (signed October 2015)
- ▶ Brazil and Colombia Automotive Trade Agreement (signed October 2015)
- ▶ Brazil and Uruguay Automotive Policy Agreement (signed 9 December 2015)

Significant developments 2015-16

Albania

Effective 1 May 2015, Albania and Kosovo have joint customs administrations and

also plan to eliminate certain tariffs in the near future.

Argentina

On 23 February 2015, Argentina announced that it would eliminate the Advance Sworn Import Declaration (*Declaración Jurada Anticipada de Importación, DJAI*) procedure by 31 December 2015. The procedure, which required certain advance reporting and approvals prior to importation, was challenged under the World Trade Organization's dispute settlement procedure and was found inconsistent with WTO rules.

On 17 March 2015, Argentina and Mexico renewed their automotive trade agreement for an additional four years. The agreement concerns bilateral trade under a system of quotas and compensated trade until 2019, when both countries plan to return to a duty-free regime.

Armenia

On 26 June 2015, the Protocol Amending the Agreement on Government Procurement, reached at Geneva on 30 March 2012, took effect for Armenia. The Protocol previously entered into force

on 6 April 2014 for the United States, Canada, Taiwan, Hong Kong, Israel, Liechtenstein, Norway, the European Union, Iceland and Singapore.

Australia

Effective 12 December 2014, Australian Customs and Border Protection issued a summary of the Rules of Origin under the Korea-Australia Economic Partnership Agreement (KAFTA).

Effective 15 January 2015, Australian Customs and Border Protection issued a summary of the Rules of Origin under the Japan-Australia Economic Partnership Agreement (JAEPA).

Australian Customs and Border Protection issued a list of goods with phasing rates of duty under JAEPA. The new duty rates apply to goods entered for consumption into Australia as of 1 April 2015.

Australia's Trusted Trade pilot program was launched on 1 July 2015 and is expected to be fully operational by 1 July 2016.

Effective 1 July 2015, the Australian Bureau of Statistics (ABS) announced changes to statistical codes in the customs tariff for certain tariff subheadings.

On 31 July 2015, the value of the Commonwealth penalty unit applicable to fines for customs offenses increased approximately 6% from AUD170 to AUD180.

Australia (continued)

On 26 October 2015, the Australian customs authority commenced a comprehensive public review of all customs licensing regimes, such as customs broker, depot and warehouse licenses.

On 15 December 2015, it was announced that the Australian customs authority will actively target imported building products at high risk of containing asbestos.

Amendments to the customs regulations relating to firearms and weapons became law on 15 December 2015. Changes to various license charges also became effective 1 January 2016.

Azerbaijan

On 13 November 2015, Azerbaijan started using simplified customs

declaration forms in export-import operations.

Brazil

On 9 March 2015, Brazil and Mexico agreed to renew a bilateral vehicle trade agreement that adopts a quota on sales between the countries for four years.

On 15 April 2015, the Secretariat of Federal Revenue of Brazil issued a Normative Instruction (IN RFB

1.559/2015) that introduces new and simplified requirements aimed at enabling more companies to participate in Brazil's Special Regime of Industrial Warehouse under Automated System Control (*Regime de Entrepósito Industrial sob Controle Aduaneiro Informatizado*, RECOF).

Canada

On 19 January 2015, the Canada Border Services Agency (CBSA) issued the customs notice "Treatment of Downward Price Adjustments in Value for Duty Calculations." The agency now accepts import duty refund claims triggered by downward transfer pricing (TP) adjustments where a TP agreement exists prior to importation of the subject goods. "Netting" of upward and downward adjustments will also be accepted. So importers that end up with an upward TP adjustment at year-end that needs to be reported to the CBSA (per an existing and unchanged obligation under the Customs Act) can now report a "net total" amount to the CBSA as opposed to an amount that excluded the downward adjustments in the year. These changes are likely to be of interest to companies that purchase dutiable merchandise from related parties

outside of Canada for importation into Canada.

On 29 January 2015, Canada amended its Automatic Firearms Country Control List to add Israel and Kuwait to an approved list of 37 countries to which Canadian exporters can legally ship certain weapons.

On 16 March 2015, Canada and the United States agreed to extend customs preclearance of goods and people to rail, land and water crossings. Before the Agreement on Land, Rail, Marine and Air Transport Preclearance between the Government of the United States of America and the Government of Canada can take effect, new legislation must be introduced and adopted in the US Congress and in Canada's Parliament.

Canada (continued)

On 29 March 2015, the CBSA implemented a Single Window Initiative (SWI) – a new electronic interim accounting release service option. It provides clients with an alternative to the Pre-Arrival Review System (PARS) and Release on Minimum Documentation (RMD) processes.

On 11 May 2015, Canada and Mexico signed a Memorandum of Understanding to enhance cooperation on standards in sectors of strategic importance.

On 17 September 2015, the CBSA issued a memorandum to provide updated information on the use of international transfer prices in the value for duty calculation.

China

Effective 5 January 2015, China lifted export limits on rare earths used in mobile phones and other high-tech products. Export licenses remain a requirement.

On 14 January 2015, China proposed 70% tariff relief for Pakistan as part of the second phase of the China-Pakistan Free Trade Agreement.

On 2 June 2015, Tianjin Customs released notices to support the Tianjin Free Trade Zone and its initiatives. The notices include the bonded exhibition and trade in the Beijing-Tianjin-Hebei region; the supervision of financial leased large equipment by customs; the expansion of product category and the geographical region of the bonded delivery of futures; joint supervision of leased aircraft; an innovative importation model for cross-border e-commerce; a simplified registration procedure for domestic material purchases; provision of aircraft inspection services; independent verification in processing trade; and the deepened tax-related guarantee services.

On 3 June 2015, China's General Administration of Customs (GAC) issued Announcement No. 28 of 2015 (*Announcement on the publication of the administrative rulings of commodity classification*), the first administrative classification ruling in line with the Government's policy to standardize nationwide classification determinations with binding force.

On 24 July 2015, the GAC issued Circular 33 to promote the implementation of the Collective Duty Settlement Program throughout the country.

On 29 July 2015, the GAC issued *Announcement on Further Expanding the Pilot Program for Customs Clearance with Paperless Automatic Import Licenses* (Circular 35). The purpose of Circular 35 is to expand the pilot program for customs clearances with a paperless automatic import license from the Shanghai Free Trade Zone to include Tianjin, Shanghai, Nanjing, Ningbo, Fuzhou, Xiamen, Shenzhen, Gongbei and Huangpu.

On 2 August 2015, China's Government announced that manufacturers of military drones and certain powerful computers must comply with new license requirements before exporting such products. China requires registration and an export license for certain drones and supercomputers starting on 12 August 2015.

On 18 September 2015, Shenzhen Customs announced that the Guangdong Pilot Free Trade Zone will further remove or relax access restrictions for overseas investors, such as qualification requirements, equity ratio limit and business scope. There are 34 measures for further expanding six fields, namely manufacturing, financial service, maritime transport service, commercial trade service, professional service and technology, and cultural service. An additional 28 measures will further open up to Hong Kong and Macao in six fields: financial service, maritime transport service, commerce and trade service, professional service, technology and cultural service, and social public service.

On 25 November 2015, GAC rolled out 18 measures aiming to streamline customs procedures and lower foreign trade fees.

Colombia

On 22 September 2015, Colombia issued Decree No. 1894, which partially amends Decree 3568 of 2011 and updates the Authorized Economic Operator (AEO)

program in line with the World Customs Organization Framework of Standards to Secure and Facilitate Global Trade (the WCO SAFE Framework).

Egypt

On 22 January 2015, Egypt's Finance Minister announced plans to amend Customs Act No. 66 of 1963 and its

implementing regulations in line with international standards and trade agreements.

Economic Community of West African States (ECOWAS)

On 1 January 2015, the ECOWAS Common External Tariff (CET) entered into force. ECOWAS member states have been given some margin to maintain

higher national rates compared with the CET for up to five years after the CET is implemented.

Eurasian Economic Union (EEU)

Effective 1 January 2015, Belarus, Kazakhstan and Russia formed the Eurasian Economic Union (EEU). Armenia's accession treaty to the EEU took effect on 2 January 2016, and Kyrgyzstan's took effect on 6 August 2015.

On 24 November 2015, Armenia's Parliament ratified a protocol on import and circulation of commodities in the

customs territory of the EEU in view of Kazakhstan's recent accession to the WTO.

The Customs Code of the EEU (Customs Union of Russia, Belarus, Kazakhstan and Armenia) is in effect as of 1 January 2016.

European Union (EU)

New rules for the temporary importation of means of transport into the EU apply as of 1 May 2015. Article 561(2) of Commission Regulation (EEC) No. 2454/93 (CCIP) was amended to exclude the possibility of misuse in case of temporary importation of means of transport into the EU.

On 4 July 2015, the EU signed an additional protocol to the multiparty free trade agreement with Colombia and Peru to account for Croatia's accession to the EU.

The delegated and implementing acts under the Union Customs Code (UCC) have been adopted (on 28 July 2015 for the delegated act and on 24 November

2015 for the implementing act). The UCC is expected to take effect on 16 May 2016. Both acts were published in the *Official Journal of the European Union* on 29 December 2015. Substantial changes have been introduced in the following areas: customs valuation rules, special procedures (warehousing, processing, etc.), Authorized Economic Operator (AEO) and Binding Tariff Information (BTI). Businesses that may be affected, especially multinational companies that import goods into the European Union, should prepare for the changes.

Gabon

On 12 January 2015, Gabon's Council of Ministers adopted Decree 00051/PR/MT on special restrictions for the import of secondhand vehicles.

On 7 April 2015, Gabon adopted Decree 0009/MEPIP/CAB/DGDDI to regulate the use of container scanners during customs inspections.

Germany

On 10 July 2015, Germany's Ministry of Economics issued new licensing measures and other regulations for the export of goods that can be used for surveillance, telephone monitoring and company data retention, as well as related technical

support. Although export control regulations were issued on the European Union level, Member States enforce them and may adopt stricter rules, as in this case.

Guatemala

On 20 June 2015, Guatemala joined the European Free Trade Association (EFTA)-Central America Free Trade Agreement. The FTA was signed by the EFTA states (Iceland, Liechtenstein, Norway and Switzerland), Costa Rica and Panama

in June 2013 and entered into force in August 2014 for Costa Rica, Panama, Norway, Liechtenstein and Switzerland, and in September 2014 for Iceland. Negotiations with Honduras are on hold.

Gulf Cooperation Council (GCC)

On 10 May 2015, the Gulf Cooperation Council (GCC: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) adopted a draft agreement on value-added tax (VAT) to be introduced by each of the GCC member

states. On 8 December 2015, the GCC decided to introduce value-added tax (VAT) and project the agreement and implementation process to take at least three years.

India

Effective 1 April 2015, under the India-Japan Comprehensive Economic Partnership Agreement, India's Central Board of Excise and Customs reduced the duty rates for certain goods originating in Japan, including automobiles, livestock, metals, minerals, fertilizers, pharmaceutical products, and certain arms and ammunitions.

On 22 April 2015, India and Bangladesh agreed to extend a protocol dealing with "inland water transit and trade" cooperation between the countries.

On 6 June 2015, India and Bangladesh signed 22 agreements for cooperation on trade, investment, education, climate change, and information and communication technology.

On 12 June 2015, India formally applied for membership in the Missile Technology Control Regime (MTCR).

On 11 August 2015, India's Government imposed a 10% duty on imported wheat until March 2016 to bolster sales of domestic wheat.

On 2 September 2015, India's Supreme Court ruled that duty is payable on the quantity received in India (i.e., the quantity of crude oil received in a shore

tank in a port of India), not the quantity exported from another country that is mentioned in the bill of lading. The court noted that "where goods which are imported are lost, pilfered or destroyed, no import duty is leviable thereon until they are out of customs and come into the hands of the importer. It is clear therefore that it is only at this time that the quantity of the goods imported is to be looked at for the purposes of valuation."

On 1 November 2015, the MTCR did not accept India's application for membership at the group's plenary.

On 2 November 2015, the Nuclear Suppliers Group (NSG) took into consideration India's application for entry into NSG at its June 2016 plenary meeting.

India exempted inputs used in ship manufacturing and repair from customs and central excise duties effective 24 November 2015. The initiative is to promote India's shipbuilding industry.

Japan

On 30 June 2015, Japan issued a revision to part of its Basic Circular to Customs Law (Notice No. 702) to announce that Japan Customs will issue advance rulings on the use of duty reduction/exemption programs starting 1 October 2015. While the advance ruling system already exists for tariff classification, customs valuation and country of origin, it did not previously cover duty reductions and exemptions. Advance rulings will allow

importers to confirm eligibility for any duty reduction or exemption programs before importation.

On 7 November 2015, Japan and the European Union exchanged their proposals on the market opening for government procurement at the 13th round of negotiations on an economic partnership agreement for free trade.

Kazakhstan

On 12 October 2015, Kazakhstan ratified the Protocol on Kazakhstan's accession to the WTO. As of 15 December 2015, Kazakhstan is the 162nd member of the WTO.

With its accession to the WTO, Kazakhstan has undertaken commitments to decrease import customs duty rates in respect of goods in 3,081 subheadings.

The Eurasian Economic Union (EAEU) has approved a list of goods containing 1,347 subheadings with regard to which Kazakhstan applies import customs duty rates lower than those set out by the Common Customs Tariff (CCT) of the EAEU). This list will be gradually updated to include other goods in the five years following Kazakhstan's accession to the WTO. The main categories of goods covered by the list include:

- ▶ Pharmaceuticals
- ▶ Medical devices and medical equipment
- ▶ Agricultural products
- ▶ Alcoholic products;
- ▶ Sugar-based products
- ▶ Precious stones and metals, base metal products
- ▶ Furniture, wood products
- ▶ Textiles

- ▶ Transport
- ▶ Personal care products

If goods on the approved list are imported into Kazakhstan with the application of reduced customs duty rates, they are prohibited from being exported to other Member States of the EAEU. However, if upon import into Kazakhstan, customs duties are paid at the full EAEU CCT rates, the goods can be exported to the territory of other EAEU Member States. In this case, the importer must provide related shipping documents including paper copies of electronic VAT invoices and import customs declarations, which must be verified by the state revenue authorities.

It is worth noting that within WTO accession, Kazakhstan has reserved the right to continue imposing export duties on certain goods that are currently subject to export duties in Kazakhstan (crude oil and oil products, remnants and scrap of ferrous and non-ferrous metals, elements of locomotive rolling-stock, wool and domestic animal hide, etc.).

However, Kazakhstan undertook obligations to calculate export customs duty for crude oil according to established formula. This formula envisages consideration of a monthly average world market price of crude oil.

Kenya

Effective 1 July 2015, Kenya introduced a national customs single window system.

On 1 July 2015, Kenya's Council of Ministers approved a measure on customs duty rates under the harmonized Community Description and Coding System. Customs duty rates were increased from 10% to 25% for aluminum milk cans, fishing nets, paper and paperboard products, smart cards, liquefied gas cylinders, as well as alloy steel bars and rods and aluminum alloy sheets used in the construction sector. The duty for equipment for scaffolding, shuttering, propping or pit-propping was increased from duty-free to 25%. The duty decreased for rice to 35% from 75% and for wheat grain to 10% from 35%.

On 11 September 2015, Kenya's President approved the Special Economic Zones Act, 2015 (SEZA). In force as of 15 December 2015, SEZA provides for the establishment of special economic zones (SEZs). Entities licensed under SEZA are entitled to various benefits, such as exemptions from VAT, income tax, customs and excise duties, stamp duty and work permit quotas.

On 11 December 2015, Kenya ratified the Trade Facilitation Agreement (TFA) of the 2013 "Bali Package." Kenya is the 57th WTO member and sixth African nation to ratify the TFA. The agreement enters into force once two-thirds of the signatories formally accept it.

Kyrgyzstan

On 11 March 2015, the Eurasian Economic Union (EEU) notified the Regional Trade Agreements Committee of the WTO that Kyrgyzstan joined the

EEU Treaty as of 29 May 2014. The EEU includes four other countries: Armenia, Belarus, Kazakhstan and Russia.

Madagascar

Effective 1 January 2016, under Madagascar's Finance Act of 2016 implementing the Interim Economic Partnership Agreement with the European Union, the duty rates for over 1,000 tariff items will decrease from 20% to 15%. Duty rates for certain textiles will decrease

from 20% to 8%. Duty rates for certain foods (such as fish under Chapter 3 and others) will increase from 0% to 20% or 8%. And duty rates for certain hand tools (Chapter 82) will increase from 8% to 10% or 15%, among others.

Malaysia

Effective 2 March 2015, Malaysia's Government issued the Customs Duties Order based on the ASEAN Harmonized

Tariff Nomenclature under the ASEAN-China Free Trade Agreement.

Mexico

Effective 25 February 2015, Mexico's Secretariat of the Treasury and Public Credit (*Secretaría de Hacienda y Crédito Público*) issued the Eight Resolution on Amendments to the General Rules on Foreign Trade for 2014 and Annexes 22 and 31.

On 19 March 2015, Mexico's Ministry of the Economy issued a number of regulations implementing additional protocols for the Economic Complementation Agreement (ACE) No. 55:

- ▶ Accord promulgating the Fifth Additional Protocol to Appendix I of "On Trade in the Automotive Sector between Argentina and Mexico" under ACE No. 55 regarding the automotive sector between the Mercosur bloc and Mexico
- ▶ Accord promulgating the Fifth Additional Protocol to Appendix II of "On Trade in the Automotive Sector between Argentina and Mexico" under ACE No. 55 regarding the automotive sector between Mercosur and Mexico
- ▶ Agreement promulgating the preferential duty rates tariff of Appendix I of ACE No. 55, signed between Mexico and Argentina, Brazil, Paraguay and Uruguay – the last four member states of the Southern Common Market
- ▶ Agreement promulgating the preferential duty rates tariff of Appendix I of ACE No. 55, signed between Mexico and Argentina, Brazil, Paraguay and Uruguay

Effective 4 April 2015, Mexico issued a decree implementing the Fourth Additional Protocol (dealing with the rules for dispute resolution) to ACE No. 51 between Mexico and Cuba, signed in Mexico City on 1 November 2013.

On 20 April 2015, Mexico amended its customs law regulations to introduce Article 81 with new documentary requirements, including a long list of documents that must be submitted at the time of importation and attached to the

customs value statement.

In April and June 2015, Mexico's Secretariat of the Treasury and Public Credit, Tax Administration Service, issued various amendments to the General Rules on Foreign Trade for 2015:

- ▶ Amendments to Glossary of Definitions and Acronyms, Annexes 1, 4, 7, 8, 9, 10, 11, 12, 15, 16, 17, 19, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30 and 31
- ▶ Amendments to General Rules on Foreign Trade for 2014 and Annex 22

On 7 May 2015, Mexico amended the list of goods whose importation is subject to regulations administered by the Secretariat of Agriculture. The new accord amended the preceding accord, which establishes the classification and codification of goods subject to health regulations administered by the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food, through the National Health Service, Food Safety and Quality.

On 26 May 2015, Mexico's Secretariat of the Economy issued Decision Nos. 78 and 79 of the Administrative Commission of the free trade agreement between Mexico and Colombia.

On 29 May 2015, Mexico's Secretariat of the Treasury and Public Credit issued a resolution on amendments to the Resolution on Customs Provisions of the free trade agreement between Mexico and Chile.

On 16 June 2015, Mexico amended the list of goods whose import or export is subject to regulations administered by the Secretariat of the Environment and Natural Resources.

On 22 June 2015, Mexico's Secretariat of the Economy issued an accord establishing the mechanism and criteria for allocating quotas for the export of new light motor vehicles to Brazil, under the Fifth Additional Protocol to Appendix II of "Trade in the Automotive Sector between Brazil and Mexico" of ACE.

Mexico (continued)

On 29 June 2015, Mexico's Secretariat of the Economy issued Notice of General Import Tax rates for goods originating in the Republic of Panama.

On 30 June 2015, Mexico's Secretariat of the Treasury and Public Credit issued a resolution establishing the general rules on customs matters of the free trade agreement between Mexico and Panama and its annex.

Mexico, Chile, Colombia and Peru formalized the creation of the *Alianza del Pacífico* (Pacific Alliance), effective 20 July 2015. In the trade bloc, tariffs for 92% of merchandise traded among the country members are set at 0%, and the other 8% will be gradually reduced over 17 years. Mexico is the anchor country of the alliance.

On 28 August 2015, Mexico's Secretariat of the Treasury and Public Credit, Tax Administration Service, issued various amendments to the General Rules on Foreign Trade for 2015:

- ▶ Amendments to General Rules on Foreign Trade for 2014
- ▶ Second Resolution on Amendments to General Rules on Foreign Trade for 2014 and Annexes: Glossary of Definitions and Acronyms, 1, 2, 21, 22 and 29.

Mexico's Secretariat of the Treasury and Public Credit, Tax Administration Service, issued an accord to determine the territorial division of customs and customs sections of customs administrations. The accord took effect 22 November 2015.

Nepal

On 7 June 2015, the Government of Nepal waived 50% of customs duties on the import of corrugated galvanized

iron sheets used to build houses and temporary shelters in earthquake-hit districts.

Palestine

On 24 March 2015, Palestine became the 180th member of the World Customs Organization.

Peru

On 26 September 2015, Peru issued Legislative Decree No. 1235 amending its General Customs Law (adopted by Legislative Decree No. 1053). The amendment introduces updated

international customs practices to improve the security and control of international operations and provide for trade facilitation.

Philippines

On 19 February 2015, the Philippines' Bureau of Customs published "Regulated Imports of 2015," a list of over 7,400 regulated products and their

corresponding import requirements, including import regulations and any required permits.

Russia

On 30 June 2015, Federal Law No. 488-FZ, "On Industrial Policy in Russia," came into force. It provides for financial and consultative support to legal entities and individual entrepreneurs operating in Russia. Additionally, under the new law, state and municipal bodies and certain state corporations must give priority in government procurement contracts to industrial goods made in Russia over similar goods from foreign countries.

On 20 August 2015, Russia's Prime Minister signed Decree No. 1567-r on simplifying customs procedures. The decree introduced a "road map" for accelerating and optimizing Russian import and export customs procedures, aiming to create conditions to improve the country's investment climate.

On 1 October 2015, Governmental Resolution No. 719, which provides criteria for identifying "industrial products made in the territory of Russia," took effect.

Seychelles

Seychelles became the 161st WTO member on 26 April 2015.

South Korea

On 1 April 2015, an amendment took effect to the Customs and Excise Act 91 of 1964 that requires importers and local producers of alcoholic beverages (Chapter

22 of the Harmonized Customs Tariff) to apply for tariff determination before the importation or removal of such goods from an excise manufacturing warehouse.

South Africa

On 26 February 2015, South Korea and China signed a preliminary free trade

agreement and have issued a detailed list of manufactured items that will benefit.

Switzerland

Effective 30 January 2015, Switzerland ratified the Arms Trade Treaty, which regulates cross-border trade in conventional arms. The United Nations General Assembly adopted the treaty on 2 April 2013, and it took effect on 24 December 2014. The treaty has 130 signatory states, 61 of which have ratified it.

Switzerland and the European Union closed the regional treaty on the Pan-European-Mediterranean rules on preferential origin, which came into force on 1 February 2016. The rules of the regional treaty will replace those of Protocol 3 of the free trade agreement.

Taiwan

On 20 November 2015, Ministry of Finance, Customs Department, passed amendments to the Customs Import Tariff Codes pertaining to certain environmental goods, reducing the tariff rate to 5%

or less, mainly for wind turbines and components related to renewable-energy generation.

Tanzania

Starting 12 June 2015, Tanzania rolled out the phase II pilot stage of the East African Community Single Customs Territory (EAC-SCT: Burundi, Kenya, Rwanda, Tanzania and Uganda), making it easier to clear greater quantities of goods in transit via the Dar es Salaam port to other member states. The move aims to unify the EAC customs territories and eliminate most customs duties and other non-tariff barriers to trade.

On 8 July 2015, Tanzania and the Democratic Republic of Congo initiated pilot clearance of goods under Single Customs Territory clearance procedures. Goods involved in the pilot project were wheat flour, vegetable cooking oil, motor vehicles, petroleum products and maize flour. Under the system, the process and documentation would be done in the country of destination before the consignments are cleared and released at the port of entry.

Thailand

On 5 June 2015, Thailand's Government issued regulations to control the export of dual-use items.

Trans-Pacific Partnership

On 5 October 2015, the Trans-Pacific Partnership trade agreement¹, in the works since 2008, was signed by 12 countries: Australia, Brunei, Canada,

Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and the United States. The agreement is not yet ratified.

1. Further details regarding the Trans-Pacific Partnership trade agreement can be found in the December 2015 edition of Tradewatch at www.ey.com/globaltrade

Turkey

On 4 March 2015, Turkey's customs authorities issued a notice in the *Official Gazette* that importers of goods classified under HS heading 3901-3914 will no longer need to obtain a report from an accrediting body that the goods to be imported are not "granule and burr recycled from scrap plastics for secondary use." Because of various problems with defining the accredited entities and obtaining such reports in the past, the customs authorities have established that a producer declaration will be sufficient to release such goods into free circulation.

On 10 April 2015, Council of Ministers Decree No. 2015/7511 took effect, reducing the Resource Utilization Support

Fund (RUSF) surcharge levied on the importation of certain investment and intermediate goods on foreign currency credit (with a loan term of less than one year) from 6% to 0%.

On 9 July 2015, Turkey's General Directorate of Customs issued Circular 2015/17, which provides that any payments transferred abroad and paid directly or indirectly to the seller as bonuses, or under similar names, in addition to the invoice price of the goods imported for sale under the direct selling method must be included in the customs value of the imported goods.

Ukraine

On 14 April 2015, Ukraine decreased the safeguard duty on imported new passenger cars from 4.31% to 2.15% for 1- to 1.5-liter petrol engines, and from 8.63% to 4.32% for 1.5- to 2.2-liter petrol engines.

On 16 September 2015, Ukraine's Cabinet of Ministers issued a Resolution "On Use of Test Customs Values in Risk Management System" No. 724. According to the resolution, such values would be used in the risk management system maintained by customs for ensuring a uniform approach to verifying the truth and accuracy of the imported goods' declared customs value.

On 25 November 2015, Ukraine eliminated its import duty for electric vehicles.

Effective 1 January 2016, the surcharge on the import of goods that was introduced on 26 February 2015 was canceled (5% and 10%, depending on the type of goods).

The Ukrainian Government has adopted the following decisions:

- ▶ The free trade regime with Russia was suspended from 2 January to 31 December 2016. Goods originating in Russia are subject to import duty at the reduced rate upon import into Ukraine in this period.
- ▶ The import of certain categories of goods originating in Russia is prohibited from 10 January to 5 August 2016. These goods included mainly foodstuffs (meat, fish, milk products, coffee, sweets and confections, beer, alcohol and tobacco).

United Arab Emirates

On 30 July 2015, the President of the United Arab Emirates issued "Amended Federal Law (8) of 2015," which replaces the former customs law (Law No. 1 of 2003). The new law makes the Federal Customs Authority an independent entity and enables it to adopt customs risk management criteria and customs procedures.

On 27 September 2015, Dubai Customs launched the Authorized Economic Operator (AEO) program and is expected to enter a number of Mutual Recognition Agreements according to the World Customs Organization Framework of Standards to Secure and Facilitate Global Trade (the WCO SAFE Framework).

United Kingdom

Effective 24 March 2015, the Export Control Organization (ECO) issued the Export Control (Amendment) Order 2015 (S.I. 2015 No. 351) to the Export Control Order 2008, amending Schedule 2, which implements amendments to the EU Common Military List in line with the Wassenaar Arrangement. Schedule 2 lists military goods, software and technology subject to export controls.

Effective 17 April 2015, the ECO amended the Export Control Order 2008: The Export Control (Amendment) (No. 2) Order 2015 (S.I. 2015 No. 940).

United States

In December 2015, a global direct-sales cosmetics company agreed to pay more than USD135 million to settle civil and criminal charges alleging violations of anti-bribery provisions of the Foreign Corrupt Practices Act. The company was accused of failing to put controls in place to detect and prevent payments and gifts to Chinese Government officials from employees and consultants at a subsidiary in China.

On 1 January 2015, the US Trade Representative provided notice of its determination of the trade surplus in certain sugar and syrup goods and sugar-containing products of Chile, Morocco, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Peru, Colombia and Panama. The trade surplus determinations are used to define the preferential tariff treatment under the respective trade agreements that the US has with each of these countries.

On 2 January 2015, the US imposed additional economic sanctions against North Korea.

On 5 January 2015, the US lifted its ban on beef exports from EU, starting with Ireland. The ban was imposed in 1998 due to bovine spongiform encephalopathy (mad cow disease).

As of 30 December 2014, the US-Bahrain Free Trade Agreement Tariff Preference

Level (TPL) for certain textiles has been extended and is set to expire 31 July 2016 instead of 31 December 2015. The correction was necessary as the FTA was not initiated until August 2006, and, hence, the 10-year TPL program ends on 31 July 2016.

On 14 January 2015, a bill was introduced in Congress to speed up the approval process of liquefied natural gas exports to countries without free trade agreements with the US.

Effective 16 January 2015, the Treasury's Office of Foreign Assets Control (OFAC) amended the Cuban Assets Control Regulations to implement policy changes announced by President Barack Obama on 17 December 2014. The amendments address certain activities related to, among other areas, telecommunications, financial services, trade and shipping.

Effective 23 January 2015, the Department of Commerce, Bureau of Industry and Security (BIS), published a final rule that removes license requirements for certain items controlled for crime control and regional stability reasons to India as part of the amendments to the Export Administration Regulations (EAR) to further implement the bilateral understanding between the US and India.

United States (continued)

Effective 29 January 2015, BIS issued a final rule to amend the EAR to impose additional sanctions that implement US policy toward Russia. The rule imposes a license requirement for exports and re-exports to the Crimea region of Ukraine, and the transfer within the Crimea region of Ukraine, of all items subject to the EAR, other than most food and medicine.

In February 2015, a global tire company agreed to pay more than USD16 million to settle civil and criminal charges alleging violations of a number of anti-bribery provisions of the Foreign Corrupt Practices Act. The company was accused of failing to put controls in place to detect and prevent their subsidiaries from paying bribes to government officials, police, tax and other local authorities in Kenya and Angola to obtain tire sales.

Effective 9 February 2015, the Bureau of the Census, US Department of Commerce, issued a final rule amending the Foreign Trade Regulations (FTR) to reflect changes related to the implementation of the International Trade Data System (ITDS) and subsequent changes to access the Electronic Export Information (EEI). This final rule is unchanged from the interim final rule published on 22 August 2014.

Effective 10 February 2015, US Customs and Border Protection issued interim regulations to implement the preferential tariff treatment and other customs-related provisions of the United States-Australia Free Trade Agreement.

On 17 February 2015, the US established a new policy governing the international sale, transfer and subsequent use of US-origin military unmanned aerial systems (drones).

Effective 18 February 2015, the Office of Foreign Assets Control adopted a final rule amending the Sudanese Sanctions Regulations by adding a general license pertaining to certain software, hardware and services incident to personal communications.

On 24 February 2015, the US extended economic sanctions on certain parties associated with Libya for another year to February 2016.

On 2 March 2015, the Bureau of Industry and Security sought public comments to perform a complementary review of military aircraft, military gas turbine engines and related items on the Commerce Control List. The review would be concurrent with the Department of State's review of the controls implemented in its recent revisions to Categories VIII and XIX of the United States Munitions List – which control military aircraft and military gas turbine engines – to ensure that they are clear, do not inadvertently control items in normal commercial use, account for technological developments, and properly implement the national security and foreign policy objectives of the reform effort.

On 5 March 2015, the President continued for an additional year the national emergency declared on 16 March 2014 with respect to Ukraine.

On 11 March 2015, the US extended for an additional year the national emergency with respect to Iran declared under Executive Order 12957 (which is separate from the national emergency with respect to Iran declared under Executive Order 12170).

On 13 March 2015, the Bureau of Industry and Security issued a final rule that simplifies the requirements for certain documents supporting license applications under the Export Administration Regulations.

On 23 March 2015, a licensed money services business headquartered in California agreed to pay over USD7.6 million to settle alleged violations of economic sanctions programs administered by the Office of Foreign Assets Control. The company allegedly failed to implement adequate screening processes and measures to prevent violations of the Cuban Assets Control Regulations, the Iranian Transactions and

United States (continued)

Sanctions Regulations, and the Sudanese Sanctions Regulations, among others.

On 31 March 2015, the President continued for an additional year the national emergency declared in Executive Order 13664 of 3 April 2014, with respect to certain entities associated with South Sudan.

Effective 7 April 2015, the Bureau of Industry and Security published a final rule to amend the Export Administration Regulations to implement changes to the MTCR Annex. The rule revises the following Export Control Classification Numbers: 1C11, 3A101, 9A106, 9A110, 9A604 and 9A610.

On 8 April 2015, the US continued for an additional year certain economic sanctions on Somalia imposed by Executive Order 13536, dated 12 April 2010.

Effective 13 April 2015, the Office of Foreign Assets Control authorized, by general license, certain activities related to publishing and marketing manuscripts, books, journals, and newspapers in paper and electronic format.

On 17 April 2015, a bill to extend the African Growth and Opportunity Act (AGOA) until 30 September 2025 and to extend the Generalized System of Preferences (GSP) (effective retroactively from 31 July 2013) until 31 December 2017 was introduced in the US House of Representatives (H.R.1891), was reported to the House Committee on Ways and Means, and was placed on the Union Calendar, Calendar No. 70. A parallel bill was introduced in the Senate (S.1009. IS) on 17 April 2015 and referred to the Committee on Finance. Both bills are still in committee. GSP expired on 31 July 2013 and AGOA expired on 30 September 2015. US Customs and Border Protection (CBP) advised importers to continue to use the GSP special program indicators (A or A+). This would enable CBP to process automatic duty refunds if Congress renews these programs with a retroactive clause.

On 5 May 2015, the Department of State issued a proposed rule amending the International Traffic in Arms Regulations to revise Category XII (fire control, range finder, optical and guidance and control equipment) of the US Munitions List to describe more precisely the articles warranting control.

On 6 May 2015, the President continued for an additional year the national emergency declared with respect to the actions of the Government of Syria.

On 11 May 2015, US Customs and Border Protection issued a final rule introducing certain technical corrections to the North American Free Trade Agreement (NAFTA: Canada, Mexico and the United States) including updates to reflect changes in the Harmonized Tariff Schedule.

On 8 May 2015, the President continued for one year the national emergency with respect to the Central African Republic declared in Executive Order 13667 of 12 May 2014 – Blocking Property of Certain Persons Contributing to the Conflict in the Central African Republic.

On 13 May 2015, the President continued for one year the economic sanctions with respect to Yemen declared in Executive Order 13611 of 16 May 2012 – Blocking Property of Persons Threatening the Peace, Security or Stability of Yemen.

On 15 May 2015, the President continued for an additional year the national emergency declared in Executive Order 13047 with respect to the Government of Myanmar (although there have been a number of notable general licenses issued with regard to such trade).

Effective 15 May 2015, the Bureau of the Census issued a final rule amending the Foreign Trade Regulations – in line with the Customs Convention on the ATA Carnet for the Temporary Admission of Goods – to eliminate the reporting requirement for temporary exports (carnets and goods previously imported on a temporary import bond).

United States (continued)

On 19 May 2015, the US continued for an additional year the national emergency imposed by Executive Order 13303, as modified in Executive Orders 13315, 13350, 13364 and 13438.

On 20 May 2015, the Bureau of Industry and Security sought comments on a proposed rule to implement the agreements by the Wassenaar Arrangement (WA) at the plenary meeting in December 2013 regarding certain intrusion and surveillance items.

On 21 May 2015, the Bureau of Industry and Security issued a final rule that implements the Wassenaar Arrangement December 2014 Plenary Agreements and revises the Commerce Control List to implement changes made to the Wassenaar Arrangement's List of Dual-Use Goods.

On 22 May 2015, the Senate passed a bill giving the President wider trade-negotiating authority.

Effective 22 May 2015, the Bureau of Industry and Security issued a final rule amending the Export Administration Regulations (EAR) to allow exports or re-exports without a license to the Crimea region of Ukraine of software that is necessary to enable the exchange of personal communications over the internet for EAR99-designated software classified as "mass market software" under Export Control Classification Number 5D992.c.

On 22 May 2015, as part of the President's Export Control Reform Initiative, the US Department of Commerce issued a proposed rule to harmonize the statement required for the export of items subject to the EAR with the destination control statement in the International Traffic in Arms Regulations (ITAR).

On 22 May 2015, as part of the President's Export Control Reform initiative, the Department of State issued a proposed rule to amend the ITAR to clarify regulations for the export of items subject to the EAR; to revise the

licensing exemption for exports made to or on behalf of an agency of the US Government; and to revise the destination control statement in ITAR §123.9 to harmonize the language with the EAR and make certain other minor changes.

On 22 May 2015, the Bureau of Industry and Security issued an advanced notice of proposed rulemaking to request comments for how the export clearance requirements under the EAR can be improved and better harmonized with the export clearance requirements under the ITAR.

On 26 May 2015, the US Department of State issued a proposed rule to amend the ITAR to clarify requirements for the licensing and registration of US persons providing defense services while in the employ of foreign persons.

On 28 May 2015, the President terminated the national emergency with respect to the risk of nuclear proliferation created by the accumulation of a large volume of weapons-usable fissile material in the Russian Federation.

On 29 May 2015, the Department of Justice issued a final rule, effective 29 June 2015, to implement without change the amendments to the regulations at 27 CFR 447.21 that were provided in the interim final rule published on 27 March 2014. The interim final rule amended the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) regulations to remove defense articles, currently on the US Munitions List, that ATF by delegation has determined no longer warrant import control under the Arms Export Control Act.

Effective 29 May 2015, the President officially removed Cuba from the State Department's list of state sponsors of terrorism.

On 2 June 2015, as part of the President's Export Control Reform Initiative, the Bureau of Industry and Security and the US Department of State issued proposed rules to revise the Export Administration Regulations and the

United States (continued)

International Traffic in Arms Regulations to include definitions of export control terms to enhance clarity and consistency between the two sets of regulations.

On 5 June 2015, the Office of Foreign Assets Control issued a notice on the provision of certain temporary sanctions relief to implement the joint plan of action reached on 24 November 2013 between the P5+1 (the United States, France, the United Kingdom, Russia, China and Germany) and Iran, as extended through 30 June 2015.

On 12 June 2015, the US extended economic sanctions on certain parties in Belarus for one additional year (although a general license was issued in connection with certain Belarusian entities on 29 October 2015).

On 16 June 2015, the Bureau of Industry and Security (BIS) published a final rule that amends the Export Administration Regulations to implement recommendations presented at the November 2013 Australia Group intercessional implementation meeting.

On 17 June 2015, BIS and the US Department of State issued proposed rules in line with the Administration's Export Control Reform Initiative where various types of articles that no longer warrant control on the US Munitions List (USML) under the International Traffic in Arms Regulations would be controlled on the Commerce Control List (CCL) under the Export Administration Regulations. Accordingly, certain Category XIV items (toxicological agents, including chemical agents, biological agents and associated equipment) or Category XVIII items (directed energy weapons) of the USML would be controlled under the CCL.

On 22 June 2015, the President continued for an additional year the national emergency with respect to the Western Balkans to deal with "the actions of persons engaged in, or assisting, sponsoring, or supporting (i) extremist violence in the Republic of Macedonia and elsewhere in the Western Balkans region,

or (ii) acts obstructing implementation of the Dayton Accords in Bosnia or United Nations Security Council Resolution 1244 of June 10, 1999, in Kosovo."

On 24 June 2015, the President continued for an additional year the national emergency declared in Executive Order 13466 with respect to North Korea.

On 1 July 2015, the US Department of State issued a final rule that temporarily modifies Category XI of the US Munitions List (USML) to clarify certain export control language in a final rule revising Category XI of the USML, 79 FR 37535, and effective 30 December 2014.

On 6 July 2015, the US Trade Representative announced review of products under the Generalized System of Preferences program that, based on full-year 2014 import data, are subject to certain actions related to competitive need limitations (CNLs). The Trade Representative received petitions to modify the list of beneficiary countries and eligible products; petitions for waivers of CNLs; and several proposals.

On 8 July 2015, the US Department of the Treasury issued an updated list of countries that in its opinion "require or may require participation in, or cooperation with, an international boycott." The countries on the list (unchanged from previous) are Iraq, Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, Syria, United Arab Emirates and Yemen.

On 10 July 2015, US Customs and Border Protection announced it would conduct the Automated Commercial Environment Export Manifest for Air Cargo Test, a National Customs Automation Program test concerning ACE export manifest capability. The test began on 10 August 2015 and will run for approximately two years.

On 10 July 2015, the Office of Foreign Assets Control issued regulations to implement the Venezuela Defense of Human Rights and Civil Society Act of 2014 and Executive Order 13692

United States (continued)

of 8 March 2015 (blocking property and suspending entry of certain persons contributing to the situation in Venezuela).

On 13 July 2015, US Customs and Border Protection announced it would conduct a National Customs Automation Program test concerning remote location filing entry procedures in the Automated Commercial Environment and the use of the document image system for the submission of invoices and the use of eBonds for the transmission of single transaction bonds. The initial phase of the test began on 12 August 2015.

On 13 July 2015, the Bureau of Industry and Security issued a final rule that made additional clarifications and corrections to an interim final rule in line with the Administration's Export Control Reform Initiative with regard to certain spacecraft system and related Items, formerly under Category XV of the US Munitions List that are now controlled under the Commerce Control List.

On 21 July 2015, the US Trade Representative initiated an out-of-cycle review of the eligibility of South Africa to receive benefits under the African Growth and Opportunity Act.

On 28 July 2015, a global manufacturer and marketer of infant formula and child nutrition products agreed to pay USD12 million to settle Securities and Exchange Commission charges that it allegedly made illegal payments to health care professionals at state hospitals in China to promote the company's products. The SEC noted that the company lacked a system of proper internal controls to detect in a timely manner the allegedly illegal payments.

On 29 July 2015, the Generalized System of Preferences (GSP) program, which expired on 31 July 2013, was renewed by the Trade Preference Extension Act of 2015 until 31 December 2017. The act allows full retroactive GSP benefits for the entire expiration period. Entries that were filed electronically via the Automated

Broker Interface using Special Program Indicator Code A as a prefix to the tariff number will be processed automatically. Others who qualify for GSP benefits must file a duty refund request by 28 December 2016. Starting on 29 July 2015, importers may file GSP-eligible entry summaries without having to pay estimated duties.

On 29 July 2015, the President continued for an additional year the national emergency with respect to Lebanon declared in Executive Order 13441.

On 29 July 2015, the Office of Foreign Assets Control (OFAC) published General Licenses 5, 6, 7, 8 and 9 under the Ukraine-related sanctions program.

On 14 July 2015, OFAC published a statement on the joint plan of action reached by the P5+1 (the United States, France, the United Kingdom, Russia, China and Germany) plus the European Union with Iran to ensure that Iran's nuclear program will be exclusively peaceful.

On 21 July 2015, the President continued for an additional year the national emergency with respect to the former Liberian regime of Charles Taylor.

On 22 July 2015, the Bureau of Industry and Security issued a final rule to amend the Export Administration Regulations to implement the removal of Cuba's designation as a state sponsor of terrorism. This rule removed anti-terrorism license requirements from Cuba but maintained certain pre-existing license requirements. The rule also removed Cuba from Country Group E:1 (terrorist-supporting countries), making it eligible for a general 25% de minimis level and portions of four license exceptions.

On 7 August 2015, US Customs and Border Protection issued a final rule that amends customs regulations by removing some of the requirements for documentation used to establish proof of exportation for drawback claims.

United States (continued)

On 12 August 2015, after New Zealand's accession to the World Trade Organization's Government Procurement Agreement (GPA), the US agreed to waive discriminatory purchase requirements for eligible goods from New Zealand under the GPA, also effective on the same date.

On 11 August 2015, the President issued a notice of continuation for one year of the national emergency with respect to export control regulations.

On 12 August 2015, the US Trade Representative issued a notice and request for public comment on the operation of the Caribbean Basin Economic Recovery Act as amended by the Caribbean Basin Trade Partnership Act, together referred to as the Caribbean Basin Initiative.

On 14 August 2015, the US Trade Representative requested written public comments and announced that USTR would conduct a public hearing for the annual review of the eligibility of the sub-Saharan African countries to receive benefits under the African Growth and Opportunity Act for 2016.

On 19 August 2015, the US Trade Representative announced the initiation of the 2015 Annual GSP Product and Country Practices Review. The USTR received petitions to modify the list of beneficiary countries, eligible products, and petitions for waivers of competitive need limitations.

On 17 September 2015, a number of measures were implemented in line with the President's new policy toward Cuba:

- ▶ The President continued for one additional year the exercise of certain authorities under the Trading with the Enemy Act.
- ▶ The Office of Foreign Assets Control (OFAC) amended the Cuban Assets Control Regulations, effective 21 September 2015. The amendments expanded the telecommunications and internet-based services general licenses, authorized all persons subject to US jurisdiction to provide goods and services to Cuban national individuals

located outside of Cuba, and allowed a number of other activities.

- ▶ The Bureau of Industry and Security published a final rule, in effect as of 21 September 2015, that amended the Export Administration Regulations. Among other provisions, it created a case-by-case review policy for license applications to export and re-export to Cuba items to ensure the safety of civil aviation; amended the deemed export and deemed re-export license requirements for releases of technology and source code to Cuban nationals; removed certain unintended restrictions on exports and re-exports under License Exception Support for the Cuban People and License Exception Consumer Communications Devices and others.

- ▶ OFAC published a number of new and updated frequently asked questions about the regulatory amendments.

On 18 September 2015, US Customs and Border Protection (CBP), the Department of Homeland Security and the Department of the Treasury issued a final rule, in effect as of 19 October 2015, to amend certain CBP regulations on importations of merchandise bearing suspected counterfeit trademarks or trade names that are recorded with CBP.

On 22 September 2015, the President continued for an additional year the national emergency declared on 23 September 2001 by Executive Order 13224 with respect to persons who commit, threaten to commit or support terrorism.

On 5 October 2015, a major New York-based pharmaceutical company agreed to pay over USD14 million to settle Securities and Exchange Commission charges that the company's joint venture in China allegedly made illegal payments and other gifts to health care providers to generate sales. The SEC noted that the company failed to respond adequately to red flags and failed to institute proper internal controls and record-keeping to detect the alleged illegal payments in a timely manner.

United States (continued)

On 6 October 2015, US Customs and Border Protection (CBP) announced that the 2006 US-Canada Softwood Lumber Agreement (SLA) terminated on 12 October 2015. Effective 13 October 2015, CBP will no longer enforce requirements under the SLA implementing regulations, such as export permit number, region of origin and original maritime certificate of origin.

On 7 October 2015, the US Trade Representative published the results of the Generalized System of Preferences (GSP) Limited Product Review launched in July 2015, including: (1) the designation of certain cotton products as eligible for GSP benefits when imported from least developed beneficiary developing countries and (2) the results of the review of issues with competitive need limitations arising from 2014 import data.

On 9 October 2015, the US Department of Commerce, Bureau of Industry and Security (BIS) and the US Department of State issued interim requests for comments in line with the Administration's Export Control Reform Initiative, where various types of articles that no longer warrant control on the US Munitions List (USML) under the International Traffic in Arms Regulations would be controlled on the Commerce Control List (CCL) in accordance with the requirements of the Export Administration Regulations (EAR). The Department of State requested comments from the public to inform its review of the controls implemented in recent revisions to Categories VI, VII, XIII and XX of the USML. BIS sought public comments to perform a complementary review of the aforementioned items on the CCL, concurrent with the Department of State's review of the above categories, which include surface vessels of war and special naval equipment, military ground vehicles, miscellaneous military articles and materials, submersible vessels, and related items.

On 21 October 2015, US Customs and Border Protection announced its plan to modify the National Customs

Automation Program test concerning the Entry Summary, Accounts and Revenue (ESAR) test program in the Automated Commercial Environment (ACE). The ACE ESAR test modifications began on 20 November 2015, and the test will continue until terminated by notice in the Federal Register.

On 21 October 2015, the President continued for an additional year the national emergency declared in Executive Order 13413 with respect to the Democratic Republic of the Congo.

On 30 October 2015, the President continued for an additional year the national emergency declared by Executive Orders 13067, 13400 and 13412 with respect to Sudan.

On 13 November 2015, US Customs and Border Protection (CBP) issued final rule amendments that centralize the processing of continuous bonds at CBP's Revenue Division within the Office of Administration. The effective date is 14 December 2015.

On 13 November 2015, the President continued for an additional year the national emergency with respect to weapons of mass destruction declared by Executive Order 12938 and amended by Executive Order 13382.

On 13 November 2015, the US extended for one additional year the national emergency with respect to Iran declared under Executive Order 12170.

On 16 November 2015, the Bureau of Industry and Security (BIS) published an interim final request to amend the Export Administration Regulations to include the XBS Epoxy System on the List of OY521 Series and to make technical amendments to update other OY521 items and to remove technology and software related to aircraft wing-folding systems.

On 16 November 2015, BIS sought comments from industry on the impact of the Chemical Weapons Convention on legitimate commercial chemical, biotechnology and pharmaceutical

United States (continued)

activities involving Schedule 1 chemicals (including those produced as intermediates) through calendar year 2015.

On 17 November 2015, the US Trade Representative extended the deadline to submit petitions for competitive need limitation (CNL) waivers under the Generalized System of Preferences (GSP) program until 4 December 2015. The notice also announces the import statistics for the first nine months of 2015 related to CNLs.

On 25 November 2015, the US Trade Representative issued a notice on public hearings and requested comments on the GSP subcommittee of the Trade Policy Staff Committee's acceptance for review of a country practices petition on worker rights in Thailand. Additionally, GSP country practice reviews regarding Ecuador, Fiji, Georgia, Iraq, Niger and Uzbekistan are ongoing. The notice also announced that the country practices review of worker rights in the Philippines had been completed without change to that country's GSP trade benefits.

On 1 December 2015, the Office of Foreign Assets Control issued an updated list identifying basic medical supplies under the Iranian Transactions and Sanctions Regulations, and generally licensed for exportation or re-exportation to Iran, to include additional items.

On 2 December 2015, the Bureau of Industry and Security (BIS) requested comments on a proposed rule that would require reporting of offset agreements in connection with sales of items controlled in 600-series Export Control Classification Numbers (ECCNs) regardless of whether the item was added to a 600-series ECCN simultaneously with its removal from the US Munitions List or was subject to the Export Administration Regulations prior to its inclusion in a 600-series ECCN. Comments are due by 16 February 2016.

On 3 December 2015, BIS launched a new data portal that made public export control data and analysis on the following topics: exporter compliance, controlled trade with select countries, Export Control Reform, BIS licensing and US defense industrial base analysis.

Uzbekistan

On 4 December 2015, the Senate of Oliy Majlis (upper house of Parliament) of

Uzbekistan approved the new edition of the Uzbek Republic customs code.

Vietnam

Effective 15 March 2015, Vietnam's Government issued on 30 January 2015 the Decree 08/2015/ND-CP, which provides simplified customs procedures for exporters with revenues of USD40 million per year or higher and for exporters of Vietnamese farm produce and seafood with annual revenues of USD30 million or above. To benefit from these new measures, exporters must have been compliant with customs and tax laws for two consecutive years, have used

recognized auditing standards and have had an internal control system in place.

On 24 March 2015, Vietnam and Laos signed a free trade agreement. The agreement is harmonized with the ASEAN Framework Agreement on Comprehensive Economic Cooperation and is expected to take effect after the two countries complete their ratification procedures.

World Customs Organization

On 21 January 2015, the World Customs Organization (WCO) published the fifth Harmonized System (HS) Nomenclature revision, to take effect on 1 January 2017. The revision has 233 sets of amendments, divided as follows: agricultural sector, 85; chemical sector, 45; wood sector, 13; textile sector, 15; base metal sector, 6; machinery sector, 25; transport sector, 18; other sectors, 26. The WCO Secretariat is developing requisite correlation tables between the old and new editions of the HS and is updating the HS publications, such as the explanatory notes, the classification opinions, the alphabetical index and the HS online database.

In March 2015, the WCO held its 55th session of the Harmonized System Committee meeting. Below are the draft agenda, scope, possible amendments and classification of various products:

- Draft Agenda RevB NC2058E1b
- Scope of the Sixth Harmonized System Review Cycle NC2070E (not published yet) NR1008E1a, RSC 47 NS0331E1a (two attachments)
- Classification of a dairy product called "Danone Vitalinea PRO Jordgubb," NC2078e1B
- Possible amendment to the explanatory note to heading 61.10 NC2081E1a, NC2081E1AB1a (two attachments)
- Possible amendment to the explanatory note to heading 61.09 NC2082E1AB1a
- Classification of a "Samsung Galaxy Gear" and certain other "smart watches," NC2092E (not published yet), NC2048E1a
- Classification of a product called "hospital gauze," NC2094E1a
- Classification of powdered alcohol, NC2097E1a

- Classification of a product called "BIOFOS," NC2105E1a

On 8 June 2015, the WCO Harmonized System Committee published the 55th Session classification decisions, which consist of Classification Rulings, Amendments to the Explanatory Notes and the Compendium of Classification Opinions.

On 11 June 2015, the WCO Council adopted the Article 16 recommendation concerning replacement of certain references to the five-digit codes in the amendments to the appropriate six-digit codes, among other amendments.

On 23 June 2015, the WCO published the accepted amendments to the Harmonized System Nomenclature, which will take effect on 1 January 2017. It includes 233 sets of amendments, divided as follows: agricultural sector, 85; chemical sector, 45; wood sector, 13; textile sector, 15; base metal sector, 6; machinery sector, 25; transport sector, 18; other sectors, 26.

On 24 June 2015, the WCO published the *WCO Guide to Customs Valuation and Transfer Pricing*.

The International Trade Commission issued a notice of proposed recommendations and solicitation of public comments on the WCO recommendation of 27 June 2014 that contracting parties to the International Convention on the Harmonized Commodity Description and Coding System modify their tariff schedules to conform with amendments to the Harmonized System expected to take effect on 1 January 2017, as well as a number of related matters.

Zambia

On 16 November 2015, Zambia's Government suspended customs duties on transmission equipment for two

years to facilitate the digital television switchover.

Zimbabwe

Effective 1 January 2016, the following excise and customs duty changes apply:

- ▶ The customs duty on greenhouses and rose grafts or seedlings is removed.
- ▶ The customs duties on television and radio transmission apparatus are suspended for two years.
- ▶ The specific customs duty rate on a liter of refined edible oils is increased from ZMW2.20 to ZMW4.
- ▶ The customs duty rate on motor vehicles (except buses, trucks, hearses and ambulances) is increased to 30%.
- ▶ The minimum specific customs duty rate on motor vehicles (excluding buses and trucks) is increased from ZMW2,000 to ZMW6,000.
- ▶ An export duty on unprocessed timber is introduced at 40% and on semi-processed timber at 20%.



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Thanks to our network of dedicated Indirect Tax professionals, who share knowledge and ideas, we can provide a seamless, consistent service throughout the world and deal effectively with cross-border issues. These include advising on the VAT treatment of new and complex transactions and supplies and helping resolve classification or other disputes and issues with the authorities.

We provide assistance in identifying risk areas and sustainable planning opportunities for indirect taxes throughout the tax life cycle. We provide you with effective processes to help improve your day-to-day reporting for indirect tax, reducing attribution errors, reducing costs and ensuring indirect taxes are handled correctly.

We can support full or partial VAT compliance outsourcing, help identify the right partial exemption method and review accounting systems. Our Global Trade team help you manage customs declarations, audit and review product classifications and evaluate import/export documentation. Our globally integrated teams give you the perspective and support you need to manage indirect taxes effectively.

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