PKF

worldwide tax guide

2020-21

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2020/21 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries.

On a country-by-country basis, each summary addresses the major taxes applicable to business, how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

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- Assurance & Advisory;
- Tax Advisory & Compliance;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Forensic Accounting, and
- Hotel Consultancy.

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STRUCTURE OF COUNTRY DESCRIPTIONS

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I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

AFGHANISTAN

MEMBER FIRM

City	Name	Contact Information
Kabul	Qamar Ali Mumtaz	+93 799 195344 qamar@pkf.com.pk

BASIC FACTS

Full name:	Islamic Republic of Afghanistan
Capital:	Kabul
Main languages:	Pashto, Dari
Population:	38.75 million (2020 estimate)
Monetary unit:	Afghani (AFN)
Internet domain:	.af
Int. dialling code:	+93

KEY TAX POINTS

- All businesses irrespective of the legal status of the entity or company are subject to 20% corporate income tax on income under Article 4 of the Income Tax law in Afghanistan.
- Capital gains from the sale, exchange, or transfer of certain assets are treated as taxable income. Capital gains include the sale of a trade or business (including goodwill), a factory (including equipment, machinery, buildings and land, or any part of such assets), equipment used in the business of transporting persons and property, and shares of stock in corporations or limited liability companies.
- The calculation of tax on the taxable profits of branch offices of non-resident companies is the same as for other businesses. The tax is calculated at 20% of income after allowing certain deductible expenses.
- Individuals are subject to tax at progressive rates. The monthly maximum limit is 20% + AFN 8,900 fixed amount.
- Any income tax paid to the government of a foreign country may be taken as a credit according to the principle of reciprocity.

A. TAXES PAYABLE

CORPORATE TAX

All businesses irrespective of the legal status of the entity or company are subject to 20% corporate income tax under article 4 of the Income Tax law in Afghanistan.

Business Receipt Tax

Business Receipt Tax (BRT) is also applicable on the gross revenue of businesses at the rates given below. BRT is treated as a deductible expense from revenue.

- Automobiles and their spare parts: 4% or 7%;
- Travel agents: 4%;
- Revenue from public entertainment, exhibitions and support events: 4%;
- Sale of merchandise and services: 4%;
- Restaurant earning less than AFN 750,000 per quarter: 4%;
- Guest house, restaurant and hotel earning AFN 750,000 per quarter: 5%;
- Club hall (without any threshold): 5%.

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BRT does not apply to the following categories of income:

- Interest income,
- Fees earned from banking transactions;
- Proceeds of futures contracts whether settled in cash or otherwise,
- Insurance or reinsurance premiums,
- Distributions received by shareholders with respect to their interest in the company;
- Export of goods and services,
- Salaries, dividends, royalties and other payments that are subject to withholding tax,
- Income received from the rent or lease of residential property to a natural person if the tenant uses the property for residential purposes for more than six months of the tax year;
- Income of persons not having a business license that are taxed at a fixed rate.

CAPITAL GAINS TAX

Capital gains under article 23 of the tax legislation refer to any gain from the sale, exchange, or transfer of the following assets:

1) A trade or business, including goodwill,
2) A factory including equipment, machinery, buildings and land, or any part of such assets;
3) Equipment used in the business of transporting persons and property; and
4) Shares of stock in corporations or limited liability companies.

Chargeable capital gains are treated as and included in taxable income. A gain from the sale or transfer of movable or immovable property acquired by inheritance is excluded from the provisions of paragraph (1) of this Article.

A loss incurred on the sale or exchange of capital items used in a business is deductible from the taxable income of the business from other sources for the year. While a loss on the sale of shares can only be offset against the sale or exchange of other shares in the same year.

Method of calculation of Capital Gains

Gains (receipts less allowable expenses) arising from capital asset transactions are divided by the number of years of usage of the said asset. The average rate so obtained is then applied to the total income of the person (natural or legal) for the year. The rate so calculated cannot be less than 2%.

BRANCH PROFITS TAX

The calculation of tax on the taxable profits of branch offices of non-resident companies is the same as for other business. The tax is calculated at 20% of income after allowing certain deductible expenses.

The only exception to the rule is that any amount remitted outside Afghanistan to principal office or any other branch office shall be regarded as a dividend and shall be subject to withholding tax at 20%

SALES TAX / VALUE ADDED TAX

VAT is levied on only very few items and services such as hotel services etc. and no separate comprehensive regulation exists for VAT. The Government of Afghanistan planned to levy VAT on various services and goods in 2017, however, the matter has been deferred.

LOCAL TAXES

No local taxes are payable in respect of income of companies.

OTHER TAXES

Other important levies in Afghanistan include customs duty and various import duties.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is calculated as revenue for the year from all sources less the following admissible expenses:

1. Any expense related to the cost of production or trade and business, such as insurance and freight expenses, etc.;

2. The cost of supplies, materials, fuel, electricity, water, and ordinary and necessary expenses used in the production of income, or in a trade or business;
3. Wages, salaries, commissions, and fees paid for services rendered by employees in trade or business;
4. Interest paid on business loans;
5. Rent paid on property necessary to and used in trade or business;
6. Cost of repairs and maintenance of properties and equipment necessary to and used for purposes of the business or trade;
7. Depreciation of movable and immovable property at rates mentioned below.

No.	Assets	Useful Life (in Years)	Annual Percentage Allowed
1	Bricks or stone structures	50	2
2	Loam structure	20	5
3	Wooden structures	10	10
4	Machinery and equipment not otherwise specified below	10	10
5	Mining equipment	6.5	15
6	Tools	4	25
7	Printing equipment and machines	2	50
8	Handicraft machines	3	33
9	Metallurgical machines	10	10
10	Carpets	10	10
11	Rugs and other furnishings	4	25
12	Chairs, seats, and sofas	4	25
13	Desks, tables, and cabinets	10	10
14	Office equipment (calculators, typewriters, telephone, etc.)	6.5	15
15	Bicycles	5	20
16	Trucks	2	50
17	Cars	2	25
18	Tyres and tubes	2	50
19	Sacks	2	50
20	Impure iron stoves and pipes	10	10
21	Iron stoves	2	50
22	Carriages, animal carts, and handcarts	3	33
23	Construction machines, rollers and mixers	5	20
24	Computers and computer related equipment	3	33
25	Televisions, radios, and cellular phones	3	33
26	Telecommunication equipment/cell towers	7	14

8. Any tax or charge that is a necessary expense for doing business, holding property for income, or for producing income, if paid or accrued during the taxable year. Taxes imposed by this Law and taxes not qualifying as a necessary business expense are not deductible, except as otherwise provided for by this Law;
9. Damages to movable or immovable property caused by fire, earthquake, and by casualty or disaster of any kind, over a three year period, to the extent that the cost is determined and substantiated by records and the loss was not recovered by insurance;

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10. Losses in business or trade from bad debts according to the Income Tax Manual;
11. Dividends paid in money by a legal entity organized under the laws of Afghanistan, and
12. Other expenses of doing business and of holding movable or immovable property for the production of income under relevant legislative documents.

NON-ADMISSIBLE DEDUCTIONS

The following deductions are not allowable for tax purposes.

1. Expenses incurred to provide entertainment or advertising that are not connected with economical or commercial activities;
2. Dividends, interest, royalties, rent, commissions, wages, salaries, in case the tax has not been withheld as required by the law;
3. In case of a branch in Afghanistan of a non-resident person, any expenses paid or incurred by the non-resident person or any person connected to the non-resident person;
4. Personal expenses are not deductible;
5. Capital expenditure that is subject to depreciation;
6. Taxes paid to foreign countries by non-resident persons on income from sources within Afghanistan, if the double tax treaty is not entered into with that country.

C. FOREIGN TAX RELIEF

Any income tax paid to the government of a foreign country may be taken as credit on the principle of reciprocity. The tax credit on a foreign tax payment is calculated as follows:

$$\text{Afghanistan tax on global taxable income} \times \frac{\text{foreign country income}}{\text{total global taxable income}}$$

D. RELATED PARTY TRANSACTIONS

The tax authorities have the power in respect of a transaction between associates to distribute, apportion, or allocate income, deductions, or tax credits between such associates to reflect the income that would have been realized in an arm's-length transaction.

E. EXCHANGE CONTROL

For the purpose of tax calculations, official rates issued by the Central Bank in Afghanistan (DAB) must be used. In case the exchange rate is not available for a transaction currency, the amount shall first be converted into USD and then into Afghani.

F. PERSONAL INCOME TAX

Following are the rates at which natural persons are subject to tax:

Income slab per month	Applicable Rate
From AFN 0 to AFN 5,000 monthly	0%
From AFN 5,001 to AFN 12,500	2%
From AFN 12,501 to AFN 100,000	10% + AFN 150 fixed amount
In excess of AFN 100,000	20% + AFN 8,900 fixed amount

G. WITHHOLDING TAX RATES

Individuals and organisations are subject to the following withholding taxes.

Type of income	Applicable Rate
Salary	At rates discussed in the preceding paragraph
Interest	20%
Dividends	20%

Royalties	20%
Prizes	20%
Rewards	20%
Lotteries	20%
Bonuses	20%
Service charges	20%
Rent	If the monthly rent is more than AFN 10,000 and less than AFN 100,000 - 10 %. If the monthly rent is more than AFN 100,000 -15%.
Contractors for supplies of goods and services	7% for contractors without a business license and 2% for contractors having a business license

ALGERIA

MEMBER FIRM

City	Name	Contact Information
Algiers	Aniss Raouf Benmeradi	+213 23 702 331 aniss.benmeradi@cabinetmeguellati.com

BASIC FACTS

Full name:	People's Democratic Republic of Algeria
Capital:	Algiers
Main languages:	Arabic
Other languages	French (business and education); Berber (constitutionally national)
Population:	43.73 million (2020 estimate)
Monetary unit:	Algerian Dinar (DZD)
Internet domain:	.dz
Int. dialling code:	+213

KEY TAX POINTS

- All companies are liable for corporate income tax on their profits arising from any business they carry on in Algeria, except for certain restricted categories mentioned in the tax code.
- All economic activities conducted in Algeria, including sales operations, imports, construction works and services, which are of an industrial, commercial or handicraft nature made in Algeria on a regular or occasional base are subject to VAT.
- Dividend withholding tax at a rate of 15% is imposed on dividends paid from Algerian sources to individual residents or non-resident individuals and legal entities, subject to the application of a double tax treaty.
- Relief from foreign taxes in Algeria depends on whether the country in question has entered into a double tax treaty with Algeria.
- Withholding tax applies to interests, dividends, royalties and technical service fees.

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A. TAXES PAYABLE

INCOME TAX

Resident companies incorporated in Algeria and non-resident companies that have a permanent establishment in Algeria are liable for corporate income tax on their profits arising from any business carried on in Algeria. Depending on the activity, the rates vary as follows.

- 19% for the sector of the production of goods;
- 23% for construction, public works and hydraulic activities as well as thermal and tourist activities, excluding travel agencies,
- 26% for other activities.

Foreign companies not established in Algeria and foreign companies without a permanent establishment in Algeria are generally subject to withholding tax at a rate of 24%. However, a double tax treaty may foresee a lower rate.

TAX ON PROFESSIONAL ACTIVITY

This tax is levied on turnover and depends on the sector. The rate varies as follows:

- 3% for transportation by pipeline of hydrocarbons,
- 1% for the sector of the production of goods;
- 2% for other activities (trade, services, construction ...etc.).

VALUE ADDED TAX (VAT)

VAT applies to the supply of most goods and the provision of services in Algeria. All economic activities conducted in Algeria, including industrial and handicraft activities and liberal or commercial professions, are subject to VAT. Exports by definition are consumed abroad and are in principle not subject to VAT. Any VAT charged under such circumstances is usually refundable. This avoids downward pressure on exports.

(1) Rates.

Two different VAT rates apply in Algeria:

- A special reduced rate of 9% applies to goods and services of particular economic, social or cultural interest, and,
- 19% for operations related to services and goods not subject to another rate.

(2) Filing and payment.

Monthly returns and any tax payable are generally due by the 20th day of the following month.

SINGLE FLAT TAX (Alternative taxation)

This is a tax that replaces several taxes (Income Tax, VAT, and Tax On Professional Activities) and is applied to taxpayers whose turnover does not exceed 30 million DZD.

The rates of this tax are as follows:

- 5%. applicable to production and sales activities,
- 12%. applicable to all other activities.

These taxpayers can also submit a request to be taxed according to the general scheme.

PROPERTY TAX

It is a tax that applies to developed and undeveloped properties. The rate of PT varies between 3 and 10%.

OTHER TAXES AND LEVIES VOCATIONAL TRAINING TAX

Companies that employ more than six (6) permanent employees are subject to a tax of 1% on the annual payroll for vocational training. An additional tax of 1% on the annual payroll is also payable (for learning) for all companies that employ more than 20 permanent employees. Taxpayers may be exempt from paying this tax provided they initiate training and learning activities.

DOMICILIATION TAX

A bank domiciliation tax is imposed on the importation of goods or services.

The tax is paid at the rate of 0.5% on the amount of the importation for any request to open a file of a transaction of importation of goods. The amount of the tax cannot be less than DZD 20,000.

The rate of the tax is fixed at 4% of the amount of the domiciliation for the imports of services.

Equipment and raw materials that are not intended for resale in the State, subject to registration prior to each import commitment are exempt from this tax.

BRANCH PROFITS AND REMITTANCE TAX

Branches of non-resident companies are subject to the same corporate tax rates as regular resident Algerian companies, i.e. the abovementioned 19%, 23% and 26%.

However, also a branch remittance tax was introduced by the Finance Act 2009 (Section 6). This tax is applicable to profits transferred to a non-resident by the branch or permanent establishment of a foreign company. The tax is payable on the profit after deduction of company tax at a rate of 15%.

LUXURY VEHICLE TAX

Vehicles registered in the category of passenger cars (PC) which are less than five (5) years old and disclosed in the Balance Sheet of a company established in Algeria, or rented by the company for a cumulative period equal to or greater than three (3) months during a tax period, are subject to an annual tax determined.

Vehicles rented

- Between DZD 3,500,000 and DZD 6,000,000 = DZD 250,000;
- Over DZD 6,000,000 = DZD 500,000.

Vehicles acquired by the company

- Between DZD 3,500,000 and DZD 6,000,000 = DZD 350,000;
- Over DZD 6,000,000 = DZD 600,000.

However, the tax does not apply to vehicles intended exclusively for sale, either to rent or to execute a transport service available to the public, when these operations correspond to the normal activity of the owning company.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined on the basis of regular accounting results. When there are discrepancies between tax rules and accounting principles, adjustments are made to the accounting results. Profits are in principle considered to be gross revenue less production, salary and wages and rental expenses. Generally, all expenses generated in the conduct of a business are deductible if they are incurred in gaining or producing assessable income. However, expenses exceeding DZD 300,000 (USD 3,000) paid in cash are non-deductible from the taxable base.

DEPRECIATION

Fixed assets owned by a company are normally written off over their normal useful life. For tax purposes, the straight-line method is normally adopted but other methods may be used in certain circumstances and with the authorisation of the tax authorities following a request.

STOCK / INVENTORY

For the determination of net income, inventories must be evaluated at their cost price. If, at the end of the year, the market or realisable value is lower, the company must set up reserves for depreciation of the inventories. The tax authorities are very strict regarding the deductibility of provisions as they require that provisions be documented.

DIVIDENDS

Dividends paid by a company established under Algerian law to another company established under Algerian law are subject to withholding tax at a rate of 15% at the level of the dividend-paying company.

LOSSES

Losses may be carried forward for four years. The carry back of losses is not permitted.

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FOREIGN SOURCED INCOME

Revenues from a foreign source that are subject to tax at source on the payment in the country of origin are in principle not subject to tax in Algeria in case there is a double tax treaty. Non-resident legal entities are taxable on their Algerian source income and on gains from the disposal of buildings and the disposal of shares in real estate companies. The taxable capital gain is the difference between the sale price and the purchase cost. Relief from foreign taxes in Algeria depends on whether a double tax treaty has been concluded by Algeria.

INCENTIVES

The Algerian tax legislation has established a number of incentives to facilitate investment and the creation of projects in certain sectors. Incentives are aimed at accelerating the growth rate and job creation within activities related to fields determined by the specific legislation. Major incentives are available for investments made by enterprises located in areas that require development. Investment project can be granted tax advantages during the launch phase and for three years during the operational phase.

INTERCOMPANY LOANS

Interest paid to shareholders in respect of sums they surrender or make available to the company in addition to their capital shares, irrespective of the form of the company, is deductible within the limits of the average effective interest rate as established by the Central Bank of Algeria.

However, this deduction is subject to two conditions:

- The capital has been fully paid up; and
- The sums placed at the disposal of the company do not exceed 50% of the capital.

For the purpose of determining corporate income tax, the sums made available to the shareholders by the company shall be deemed to be distributed (as a dividend).

Interest on loans between related companies is deductible within the limits of the average effective interest rates as established by the Central Bank of Algeria.

For the purpose of determining corporate income tax, the proceeds of loans granted between enterprises without interest or at a reduced interest are determined by applying to the sums lent the average effective interest rates as established by the Central Bank of Algeria.

C. FOREIGN TAX RELIEF

No unilateral double taxation relief is granted under domestic Algerian tax law for foreign taxes. Bilateral relief of foreign taxes in Algeria depends on whether the country in question has concluded a double tax treaty with Algeria. Algeria has concluded more than 30 double tax treaties.

D. CORPORATE GROUPS

When an Algerian joint-stock company holds 90% or more of the shares of one or more Algerian joint-stock companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company. Under this system, the profits and losses of all controlled branches, subsidiaries and partnerships in Algeria are consolidated. Once elected, the option is binding for four years.

Companies operating in the hydrocarbon sector are excluded from this regime.

E. WITHHOLDING TAX

For certain categories of income, the payer of income has to withhold tax at source, file tax returns and submit the amount of tax withheld to the tax authorities.

- Dividends paid to shareholders are subject to a 15% withholding tax which may be reduced under a double tax treaty;
- The withholding tax on royalties is 24% which may be reduced under a double tax treaty.
- Interest paid to a non-resident is subject to a 10% withholding tax, unless the rate is reduced under a double tax treaty;
- The withholding tax on technical service fees is 24% and applies to the gross income derived from any service fee paid abroad by a local company to a foreign company;
- Most services performed in Algeria by non-resident companies are generally subject to a 24% withholding tax.

F. PERSONAL TAX

Personal income tax is a direct tax levied on the income of an individual. Taxpayers are classified into residents and non-residents. Income subject to tax is called assessable income and is divided into six categories.

1. Professional benefits;
2. Farm income;
3. Rental income from built and/or undeveloped properties;
4. Income from shares;
5. Salaries, wages, pensions and life annuities;
6. Capital gains on the sale of built or undeveloped buildings against payment.

For each category of income, certain deductions and allowances are granted in the calculation of the taxable income. Taxpayers should keep their accounting records in compliance with the accounting legislation in order to benefit from these deductions. In general, a person liable for personal income tax has to compute his tax liability, file a tax return and pay tax, if any, on a calendar year basis. There is no obligation to submit a tax return for taxpayers who do not receive other remuneration than salary.

Married couples file tax returns as separate individuals. Income of children is reported on the tax return of the head of the family. A spouse can report the income of their children on his/her tax return in certain circumstances.

Wages and salaries are subject to withholding tax and paid by the employer after deducting the personal income tax. The tax base includes all the pay sections subject to tax at the progressive rate detailed in the table below:

FRACTION OF REVENUE (ANNUAL)	TAX RATE
not exceeding 120,000 DZD	0%
from 120,001 DZD to 360,000 DZD	20%
from 360,001 DZD to 1,440,000 DZD	30%
exceeding 1,440,000 DZD	35%

G. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Algeria has concluded double tax treaties with the following countries:

	Dividends		Interest (%)	Royalties (%)
	Individuals, companies (%)	Qualifying companies (%)		
Non-treaty countries				
Companies	15	15	10/40[10]	4.8/24[11]
Individuals	15	-	10/50[10]	4.8/24[11]
Treaty countries:				
Arab Maghreb Union	–[1]	–[1]	–[1]	–[1]
Austria	15	5[3]	0/10	10
Bahrain	0	0	0	–
Belgium	15	15	0/15	5/15[13]
Bosnia and Herzegovina	10	10	10	12
Bulgaria	10	10	10	10
Canada	15	15	0/15	15
China	10	5[4]	/	10

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	Dividends		Interest (%)	Royalties (%)
	Individuals, companies (%)	Qualifying companies (%)		
Egypt	10	10	5	10
France	15	5[5]	10/12[12]	5/10/12[14]
Germany	15	5[3]	10	10
Indonesia	15	15	15	15
Iran	5	5	5	5
Italy	15	15	15	5/15[15]
Jordan	15	15	0/15	15
Korea	15	5[4]	10	2/10[16]
Lebanon	15	15	0/10	10
Libya	–[2]	–[2]	–[2]	–[2]
Mauritania	10	10	10	15
Portugal	15	10[6]	15	10
Qatar	0	0	0	5
Romania	15	15	15	15
Russia	15	5[4]	15	15
Saudi Arabia	0	0	0	7
South Africa	15	10[4]	10	10
Spain	15	5[7]	5	7/14[17]
Switzerland	15	5[8]	0/10	10
Syria	15	15	10	18
Turkey	12	12	10	10
Ukraine	15	5[4]	0/10	10
United Arab Emirates	0	0	0	10
United Kingdom[9]	15	5[4]	/	10

Notes:

1. No reduction under the treaty, the domestic rate applies.
2. Income is subject to tax in the source country only, the domestic rate applies.
3. The reduced rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the paying company.
4. The reduced rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the paying company.
5. The reduced rate applies if the beneficial owner is a company which holds directly or indirectly at least 10% of the capital of the paying company.
6. The reduced rate applies if the beneficial owner is a company which, during a consecutive period of two years preceding the payment of the dividends, holds directly at least 25% of the capital of the paying company.
7. The reduced rate applies if the beneficial owner is a company which holds directly or indirectly at least 10% of the capital of the paying company.
8. The reduced rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 20% of the capital of the paying company.
9. Effective date: Algeria: 1 January 2017 (withholding and other taxes). United Kingdom: 1 January 2017 (withholding taxes)/1 April 2017 (corporate tax)/6 April 2017 (income and capital gains taxes).

10. Interest on debts, deposits and guarantees paid by resident persons to non-resident companies is subject to a final 10% withholding tax while a 40% (50% for individuals) final withholding tax applies to interest on bearer securities.
11. Royalties paid by resident persons to non-resident companies are subject to a 24% final withholding tax while an effective 4.8% withholding tax (24% calculated on 20% of the gross amount) is levied on the use of computer software.
12. 10% if the interest arises in France and 12% if it arises in Algeria.
13. The 5% rate applies to royalties paid for the use of, or the right to use, any copyright of literary, artistic or scientific work, excluding cinematograph films and films or tapes for radio or television broadcasting while the 15% rate applies in all other cases.
14. The 5% rate applies to royalties paid for the use of, or the right to use, any copyright of literary, artistic or scientific work excluding cinematograph films and works recorded for radio or television broadcasting while the 10% rate applies in all other cases when the royalties arise in France and 12% when they arise in Algeria.
15. The 5% rate applies to royalties related to copyright of literary, artistic or scientific work, with the exclusion of cinematograph films and films or tapes used for radio or television broadcasting while the 15% rate applies in all other cases.
16. The 2% rate applies to royalties which are paid for the use of, or the right to use, industrial, commercial, or scientific equipment while the 10% rate applies in all other cases.
17. The 14% rate applies to royalties paid for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematographic films, or films, tapes and other means of image or sound reproduction while the 7% rate applies in all other cases.

ANGOLA

MEMBER FIRM

City	Name	Contact Information
Luanda	Tiago Rocha	+244 932 225 030 tiagorocha@pkf.co.ao

BASIC FACTS

Full name:	Republic of Angola
Capital:	Luanda
Main languages:	Portuguese
Other languages	Umbundu, Kimbundu, Kikongo and others
Population:	32.71 million (2019 estimate)
Monetary unit:	Angolan Kwanza (AOA)
Internet domain:	.ao
Int. dialling code:	+244

KEY TAX POINTS

- Income obtained by corporate entities established in Angola is subject to three different taxes: (i) Industrial Tax, which is levied on the corporate taxable income, including capital gains on the sale of fixed assets; (ii) Capital Investment Tax, applicable to capital gains on the sale of securities, royalties, interest and dividend income; and (iii) Rental Income Tax, on rents collected from rented real estate as well as on deemed rented income from real estate owned by companies.
- Corporate taxable income, determined on the basis of accounting profits, is taxable under Industrial Tax at a rate of 30%. Taxpayers are divided into two groups, each group having different tax payment deadlines.

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- Angola has ratified double tax treaties with the United Arab Emirates, China and Cape Verde. The treaty with Portugal has entered into force.
- Most types of services are subject to withholding tax at a rate of 6.5%.
- Transfer pricing legislation enables the tax authorities to make corrections to taxable income when either the conditions (or prices) agreed between related parties are different from those that would have been agreed and accepted between independent entities in comparable transactions.
- VAT Code was published on 24 April 2019 and entered into force on 1 October 2019. VAT is levied on domestic supplies of goods, services and imports at a rate of 14%, although certain specified products and services are exempt from tax.
- Excise duty entered into force in Angola from 1 October 2019 onwards. All production, imports, and sales by public auction are subject to excise duty, calculated at different rates of 2%, 5%, 19%, and 25%, depending on the kind of product. The applicable rates for oil derivatives remain at 2%.
- Stamp duty is levied on a number of operations and contracts. With the implementation of VAT, companies covered by standard and/or simplified VAT regimes are exempt from stamp duty on the receipts (1% over the amount collected in cash or in kind).
- Special tax regimes are in place for oil and mining companies.
- Salary income is taxable at final progressive withholding tax rates based on a sliding scale from 0% to 17%.
- Social security is due on remunerations paid at an 8% rate for the employer and a 3% rate for the employee.
- Foreign currency transfers on technical assistance and management services are subject to a 10% surcharge (special contribution).

A. TAXES PAYABLE

COMPANY TAX

Income from Angolan companies is taxed under Industrial Tax ("Imposto Industrial"). Taxpayers liable for Industrial Tax are divided into two groups: A and B. Taxpayers included in Group A as well as Group B taxpayers that opt for keeping organized accounts are subject to Industrial Tax on the income effectively obtained and determined in accordance with the accounting records. Group B taxpayers that do not keep organized accounts are subject to tax on the basis of their turnover.

In general, commercial companies as well as permanent establishments of non-resident companies are mandatorily included in Group A. Group B is comprised of companies with a share capital of less than AOA 2,000,000 and with a turnover not exceeding AOA 500,000,000.

Resident companies are subject to Industrial Tax on their worldwide income.

CORPORATE INCOME TAX RATE AND TAX RETURNS

Corporate taxable income, determined on the basis of accounting profits and adjusted according to non-taxable revenues and non-deductible expenses, is taxed at a 30% rate. For Group A taxpayers an annual corporate income tax return ("Modelo 1") must be submitted by 31st May of the following year, together with the financial statements and the general ledgers of the year as well as a documentation set that forms part of the technical report. For Group B taxpayers that voluntarily prepare accounting records, an annual corporate income tax return ("Modelo 1") must be submitted by 30th April of the following year, together with a documentation set that forms part of the technical report. For Group B taxpayers that do not prepare accounting records, an annual corporate income tax return ("Modelo 2") must be submitted by 30th April of the following year, signed by an accountant and with the description of the sales and services provided.

WITHHOLDING TAX ON DOMESTIC SERVICE CHARGES

Most services are subject to withholding tax at a rate of 6.5%. This withholding tax should be retained by the company paying for the service, and may be deducted on the corporate income tax return ("Modelo 1") presented by the supplier of the service as an advance payment, up to the amount of the tax assessed. The excess of the amount withheld over the assessed tax amount may be carried forward and offset against the corporate tax liability of the subsequent 5 years.

Services provided by resident companies not subject to withholding tax are: (i) educational Services; (ii) medical services, (iii) hospitality services, (iv) passenger transport services, (v) rental of equipment subject to Capital Application Tax; (vi) telecommunications services; and (vii) financial brokerage and insurance services.

ADVANCE PAYMENT OF INDUSTRIAL TAX ON SALES

An advance payment equivalent to 2% of the sales made during the first 6 months of the year must be made by the end of August. Income from services subject to withholding tax will be excluded from the basis of computation of such advance payment. The advance payment amount can be offset against the final Industrial Tax liability. The excess amount, if any, can be carried forward and offset against advance payments of the subsequent five years.

OVERSEAS SERVICE CHARGES

Management and technical assistance services provided by foreign entities must be supported by a contract which can be subject to approval of the Ministry of Economy, depending on its amount. The total amount of services contracted with overseas service suppliers shall not exceed 10 times the equity value of the Angolan company acquiring such services. In case this condition is not met, the excess amount will be treated as a non-deductible expenditure.

Payment of services to non-resident companies is subject to a final withholding tax rate of 6.5%, except in the case of the following services, which are not subject to such levy: (i) educational services; (ii) medical services; (iii) transportation services, including passengers; and (iv) rental of equipment subject to Capital Application Tax.

PERMANENT ESTABLISHMENT

In accordance with the Angolan General Tax Code, a fixed place of business from which the company exercises the whole or a part of its activity, namely an office, a branch or a factory is deemed to be a permanent establishment. The continued provision of services for periods longer than 90 days within any 12-month period may also be deemed to be a permanent establishment. Foreign companies with a permanent establishment in Angola are subject to Industrial Tax on: (i) profits obtained by the Angolan permanent establishment; (ii) profits obtained by the head office from the sale of goods in Angola of a similar nature to those sold by the permanent establishment in that territory; and (iii) profits obtained by the head office from other commercial activities carried out in Angola of a similar nature to those carried out by the permanent establishment in that territory.

An Angolan branch of a non-resident company is taxed on its profits and capital gains in the same way as a resident Angolan company. Repatriation of Angolan branch profits to its head office is subject to Capital Application Tax at a rate of 10%.

CAPITAL GAINS

Capital gains obtained by resident companies on the sale of fixed assets are included in their taxable income, which is taxed under Industrial Tax at the standard flat rate of 30%. Capital gains on the sale of shares and other securities are taxed under Capital Application Tax at a rate of 10%.

VAT

The VAT Code was published on 24 April 2019 and entered into force on 1 October 2019. Companies considered Major Taxpayers as well as all imports of goods into Angola are subject to the general VAT regime as from 1 October 2019. Companies not considered Major Taxpayers with an annual turnover of over USD 250,000 will be included in a transitional regime until 1 January 2021 (can opt for general regime though), and the remaining companies will not be considered taxpayers for VAT purposes (non-taxation regime). As from 1 January 2021 onwards, all taxpayers will fall under the general VAT regime.

VAT is levied on domestic supplies of goods, services and imports at a rate of 14%, although specified products and services are exempt from tax.

EXCISE DUTIES

As a result of the publication of the VAT Code on 24 April 2019, the Consumption Tax Code has been revoked. At the same time, the Excise Duties Code has been introduced, which has entered into force as from 1 October 2019. The Excise Duties Code covers transactions on specific products, including alcoholic beverages, tobacco, jewels, airplanes, vehicles, firearms and art items at rates varying from 2% to 25%.

Producers are required to assess the excise duties when goods are made available to purchasers and/or clients and these should be submitted with the tax authorities by the end of each month.

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STAMP DUTY

Stamp Duty ("Imposto de selo") is levied on a wide range of operations and contracts. With the implementation of VAT, financing operations, leasing, insurance, and reinsurance transactions became subject to VAT and are thus not exempted from VAT. They are therefore exempt from stamp tax. In addition, the VAT Code revoked stamp tax on customs and taxable persons covered by the general regime of the VAT, as well as those covered by the transitional regime, are exempt from 1% stamp tax on the receipts.

Both the operations on which the tax is levied and the applicable rate are listed in the table annex to the Stamp Duty Code. Tax rates vary from 0.1% to 1%. Certain items are taxed at a determined fixed amount. Some examples are: (i) Amounts collected by a company from its customers (1%). Entities covered by the standard and/or simplified VAT regime should be exempt from stamp duty on the receipts; (ii) Loans (0.1% to 0.5% on the principal amount of the loan depending on the period for which the loan is contracted), (iii) Acquisition of property (0.3% on the property amount), (iv) Notary acts (AOA 2,000). In the particular case of loans granted by foreign companies as well as in the case of interest charged by a foreign bank, the tax must be self-assessed (under the reverse charge mechanism) and paid by the borrower.

CAPITAL APPLICATION TAX

Capital Application Tax applies to investment income, such as interest, dividends, royalties and capital gains on the sale of shares and other securities. The tax rates vary from 5% (e.g. loan interest with maturity over 3 years and dividends from listed companies) to 10% (e.g. dividends, royalties, capital gains, bank deposits interest) or 15% (interest on loan agreements). In the case of non-remunerated loan contracts, the tax authorities may deem that the loans are remunerated at a 6% interest rate. Dividends paid between Angolan resident companies are exempt from taxation if a participation of 25% has been held for a 1 year period prior to the dividend distribution, if not a tax of 10% must be withheld.

URBAN REAL ESTATE INCOME TAX

Urban Real Estate Tax ("Imposto Predial Urbano" or "IPU") is levied on both rented and non-rented urban real estate. In the case of rented real estate, the tenant is required to withhold 15% tax on the rents paid to the landlord. Non-rented urban real estate with a taxable value exceeding AOA 5,000,000 is subject to IPU at a rate of 0.5%.

REAL ESTATE TRANSFER TAX

Real Estate Transfer Tax ("SISA") is levied on all acts involving the sale of real estate at a rate of 2% and is payable by the buyer. Taxable basis is the higher amount taking into account (i) selling price, and (ii) property value registered for tax purposes.

SPECIAL TAX REGIME – OIL INDUSTRY

Income from the Oil Industry is subject to a specific tax regime. This tax regime is applied to all companies performing activities of search, development, production, storage, treatment and sales of oil and its components. Oil Corporate Income Tax rates are as follows.

- Production or sharing agreement: 50%;
- Other types of joint-ventures: 65.75%;
- Angolan companies members of the national concessionaire: 30%.

SPECIAL TAX REGIME - MINING INDUSTRY

Income of mining companies is subject to a specific tax regime. General tax rate applied under this regime is 25%.

B. DETERMINATION OF TAXABLE INCOME

GENERAL REGIME

Taxable income is calculated by adjusting the accounting profits according to non-taxable income and non-deductible expenses. As a general principle, costs are only deductible when necessarily incurred for the purpose of producing income.

EXPENSES DOCUMENTATION

Business expenses that are not properly documented will not be accepted as tax deductible. Furthermore, they will give rise to an additional adjustment in computing the corporate taxable income, as follows: (i) in case of unproperly documented expenses (expense supported by document that does not contain all

relevant elements an invoice must contain): an additional amount of 2% of the expense must be adjusted in computing the corporate taxable income, (ii) in case of undocumented expenses (expenses not supported by a valid document, but where it is possible to verify the effectiveness of the expense): an additional amount of 4% of the expense must be adjusted in computing the corporate taxable income; (iii) in case of confidential expenses: an additional amount of 30% of the expense must be adjusted in computing the corporate taxable income (50% in the case of exempt taxpayers).

DEPRECIATION OF FIXED ASSETS

Fixed assets can be depreciated for tax purposes over the useful life of the asset. The depreciation rates are set by specific legislation and the normal method of calculation is the straight-line method. Any other method must be approved by the tax authorities.

STOCK / INVENTORY

Inventory must normally be valued at the effective acquisition or production cost (historical cost). Any other method needs to be approved by the tax authorities.

DIVIDENDS

When subject to Capital Application Tax dividends are excluded from the tax basis for CIT proposes. Same principle applies to other income subject to Capital Application Tax, such as capital gains on the sale of shares.

INTEREST DEDUCTION

Interest charges arising from shareholder loans are tax deductible for corporate income tax purposes up to the limit resulting from the annual average interest rate defined by the Angolan Central Bank. Interest on loans contracted with other parties are eligible for deductibility.

NET OPERATING LOSSES

Net operating losses incurred by resident companies or by a branch of a non-resident company may be carried forward and offset against taxable profits for the following three years.

FOREIGN EXCHANGE GAINS/LOSSES

Foreign exchange gains and/or losses arising from fixed assets and liabilities are accepted for tax purposes up to a limit of 7% of the amount of gains/losses for the year in question.

ADDITIONAL TAXATION

Confidential expenses are subject to additional taxation ("Tributação Autónoma") at rates of 30% and 50%. Donations granted over the limit and scope of the applicable Law are also subject to additional taxation at a rate of 15%. The amount of additional taxation should be added to the taxable income, and in case of losses has to be paid autonomously.

FOREIGN SOURCED INCOME

Angolan companies are taxed on their worldwide income, including any foreign branch income.

INCENTIVES

Private investment projects in Angola may benefit from tax incentives concerning CIT, SISA, IPU, Capital Application Tax, and Stamp Duty. These benefits are granted under a reduction of CIT rate by 20% for a period of two years and the reduction of the Capital Application Tax rate applicable to dividends by 25% over a two-year period.

With respect to this special regime, tax benefits are granted in case of private investments made in national priority sectors (e.g., education, agriculture, health, tourism, telecommunications, energy, among others) and vary according to the zone where the investment is made.

C. FOREIGN TAX RELIEF

Foreign tax credits can generally not be deducted from domestic tax items. However, foreign tax credits may be granted according to the provisions of double tax treaties.

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D. CORPORATE GROUPS

Companies included in an economic group may opt to be taxed on the aggregate amount resulting from the sum of the taxable profits and losses computed within the referred economic group. This regime is only available when, (i) company is considered a Major Taxpayer, and (ii) parent company holds at least 90% of subsidiaries' share capital, and the majority of voting rights.

E. RELATED PARTY TRANSACTIONS

There is a general transfer pricing provision that allows the tax authorities to adjust the taxable income of any taxpayer as a result of non-arm's length transfer pricing practices. A company listed as Major Taxpayer is required to prepare transfer pricing documentation.

F. WITHHOLDING TAX

Under domestic law, dividends paid to non-resident companies are subject to a 10% withholding tax. Dividends paid between Angolan resident companies may be exempt from withholding tax if a participation of at least 25% is held for a period of longer than 1 year prior to the dividend distribution. Dividends paid to resident or non-resident companies with stocks traded on a recognized stock exchange market are subject to a reduced withholding tax rate of 5%, applicable for the years 2015 until 2019. All royalties paid to resident or non-resident companies are subject to a 10% withholding tax.

Interest paid to resident or non-resident companies are subject to withholding tax usually at a rate of 15%. However, certain interest, such as interest on shareholders loans, corporate bonds, bank deposits, treasury bills, treasury bonds and securities issued by the Angolan Central Bank (BNA) are subject to a 10% rate. Interest on treasury bonds and securities issued by the BNA are subject to a reduced rate of 5% if the maturity is at least three years.

Services are usually subject to a 6.5% withholding tax regardless of whether they are paid to a resident or a non-resident service provider. Some exemptions may apply depending on the type of service.

G. EXCHANGE CONTROL

Foreign currency transfers in relation to the payment of technical assistance and management services are subject to a special contribution of 10% on the amount of the request of funds abroad. This rate has been announced as temporary and is aimed at facing the financial impact on the economy resulting from the reduction in oil prices.

H. PERSONAL INCOME TAX

Individuals receiving employment income for work performed in Angola are subject to personal income tax. These taxpayers are divided into three groups: (i) Group A: Employment income (including salaries of board direction members), (ii) Group B: Independent professionals (listed in the annex to the Personal Income Tax Code), and (iii) Group C: Industrial and commercial activities.

EMPLOYMENT INCOME (Group A)

Employment income is taxed by withholding tax (final) levied on the monthly remuneration paid, at the following progressive rates:

Salary in AOA	Tax rates
Up to 34,450	Exempt
From 34,451 up to 35,000	The amount exceeding 34,450
From 35,001 up to 40,000	550 + 7% of the amount exceeding 35,000
From 40,001 up to 45,000	900 + 8% of the amount exceeding 40,000
From 45,001 up to 50,000	1,300 + 9% of the amount exceeding 45,000
From 50,001 up to 70,000	1,750 + 10% of the amount exceeding 50,000
From 70,001 up to 90,000	3,750 + 11% of the amount exceeding 70,000
From 90,001 up to 110,000	5,950 + 12% of the amount exceeding 90,000
From 110,001 up to 140,000	8,350 + 13% of the amount exceeding 110,000

From 140,001 up to 170,000	12,250 + 14% of the amount exceeding 140,000
From 170,001 up to 200,000	16,450 + 15% of the amount exceeding 170,000
From 200,001 up to 230,000	20,950 + 16% of the amount exceeding 200,000
Above 230,000	25,750 + 17% of the amount exceeding 230,000

INDEPENDENT PROFESSIONALS (Group B)

Fees paid to independent professionals are subject to a (final) withholding tax at a flat rate of 15% on 70% of their gross fees (being an effective tax rate of 10.5%).

INDUSTRIALS AND COMMERCIALS ACTIVITIES (Group C)

Income derived from industrial and commercial activities is subject to a rate of 30% determined according to the Minimum Profits Table or to a rate of 6.5% in other situations.

MINIMUM WAGE

Minimum wage is determined according to the economic sector in which the employee works.

- Commerce and extractive industry: AOA 32,181.15;
- Transports, services and processing industry: AOA 26,817.63;
- Agriculture: AOA 21,454.10.

SOCIAL SECURITY CONTRIBUTIONS

Social security contributions are due on the gross income of employees at the following rates:

- 8% for the employer; and,
- 3% for the employee (to be withheld by the employer).

These contributions are intended to cover family, pension, and unemployment protection.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

A double tax treaty between Portugal and Angola came into force on 22 August 2019, effective in Angola as from 31 December 2019 and in Portugal as from 1 January 2020. This treaty is the first one signed by Angola with a European country and the only one already in force.

Angola has approved two other tax treaties, with the United Arab Emirates and China. However, neither of them have come into force yet.

Withholding tax rates in the Angola-Portugal tax treaty are as follows:

- Dividends: 8% or 15%. The 8% reduced rate applies if the beneficial owner is a company that directly holds at least 25% of the shareholder capital of the dividend-paying company during a period of 365 days, including the day on which the dividends are paid,
- Interest: 10%;
- Royalties: 8%;
- Fees for technical services (managerial, technical or consultancy): 5%,
- Branch profits: 8%.

ANTIGUA AND BARBUDA

MEMBER FIRM

City	Name	Contact Information
St. John's	Stefaan De Ceulaer	+44 203 691 2511 stefaan.deceulaer@pkf.com

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BASIC FACTS

Full name:	Antigua and Barbuda
Capital:	St. John's
Main languages:	English
Population:	97,769 (2020 estimate)
Monetary unit:	East Caribbean Dollar (XCD)
Internet domain:	.ag
Int. dialling code:	+1

KEY TAX POINTS

- Corporate income tax is levied at 25% on resident companies and branches held by non-resident companies.
- Capital gains are generally not taxable. If capital gains occur regularly and frequently, they are considered income from trade or business.
- The standard rate of Antigua and Barbuda sales tax (ABST) is 15%.
- There is no withholding tax on payments to resident companies. Dividends, interest, royalties, rentals, technical services fees and management fees paid by a resident company to a non-resident company are subject to a 25% final withholding tax unless a tax treaty applies.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

A resident company is taxed on its worldwide income. A non-resident company is taxed on Antigua and Barbuda-sourced income only. A company is deemed to be resident if:

- it is incorporated or registered in Antigua and Barbuda,
- it is centrally managed and controlled in Antigua and Barbuda.

Corporate income tax is currently imposed at a rate of 25%. However, international business corporations (IBC) are exempt from tax and a reduced rate of 22.5% applies to banks that offer mortgages provided they maintain an interest rate throughout the year of maximum 7%. The tax return must be filed within three months after the end of the tax year, along with the financial statements.

CAPITAL GAINS TAX

Capital gains are generally not taxable. If capital gains occur regularly and frequently, they are considered income from trade or business.

BRANCH PROFITS TAX

Branch income is taxed on the same basis and at the same rate (25%) as that of corporations.

SALES TAX / VALUE ADDED TAX (VAT)

Antigua and Barbuda sales tax (ABST) is a value added type tax introduced in Antigua in 2007. ABST is levied on local consumption and is borne by the consumer. Taxable activities are sales of goods and supplies of services within Antigua and Barbuda and the import of goods into Antigua and Barbuda.

The standard rate of ABST is 15%. Also, a 12.5% reduced rate applies to hotel or holiday accommodation, along with supplies that are ancillary or incidental to the supply of hotel or holiday accommodation while certain goods and services may also be zero-rated (international transportation, export, basic food items, water, electricity for residential use, sale of new residential property and fuel) and exempt (financial services, local transportation, education, services related to long-term accommodation (over 45 days), medical and veterinary services) from ABST.

The registration threshold for ABST is a total value of supplies exceeding XCD 300,000 in a continuous period of 12 calendar months.

OTHER TAXES

REAL ESTATE WITHHOLDING TAX

Property is subject to tax yearly at the level of the owner and is assessed by the Property Valuation Department on the market value of real property with rates ranging from 0.1% (agricultural land) to 0.5% (commercial buildings), depending on the use.

SOCIAL SECURITY

Employers are subject to 6% social security contributions and 3.5% medical benefits scheme contributions of the employee's salary or wages. The social security contribution ceiling is XCD 6,500 per month.

STAMP DUTY

Stamp duty on the sale of real property is 7.5% for the vendor and 2.5% for the purchaser. Non-resident sellers are subject to a 5% stamp tax on the appreciation value of the real property. Non-resident purchasers must obtain an alien land holding licence at 5% of the property value and pay a stamp duty of 2.5%. Transfer stamp tax is levied on the market value of the shares or book value of the shares, whichever is higher. Vendors pay stamp tax at a rate of 5%, purchasers pay stamp tax at a rate of 2.5%.

CUSTOMS AND EXCISE DUTIES

Customs duties are imposed under the CARICOM Common External Tariff. There is a general exemption from duties with respect to goods imported from other CARICOM member states. Customs import duties range from 0% to 70%. Most basic food and drink items (juices and sodas) and baby-related items are subject to a 20% duty while guns and ammunitions are subject to a 70% duty. An excise duty is imposed on all spirits at varying rates.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is calculated as net profit before tax, adjusted for non-deductible expenses and allowable deductions.

DEPRECIATION

Depreciation allowed for tax purposes is computed by way of the reducing balance method at prescribed rates. Initial allowances are granted on industrial buildings and on capital expenditures incurred on plant and machinery by a person carrying on a trade or undertaking. In addition, an annual allowance of 2% is granted on all buildings.

Assets	Depreciation rate (%)
Buildings, roads, fencing and pavements	2
Leasehold improvements	4
Furniture, fixture, fittings and equipment	7.5
Plant and machinery and office equipment	10
Motor vehicles, golf carts, boats and aircrafts	20
Motor trucks and lorries	22.5
Computer hardware and software	33.33

There are no provisions regarding depreciation or amortization of expenditure on intangible property such as patents or goodwill, or pre-incorporation and similar expenses.

STOCK / INVENTORY

Inventory is generally stated at the lower of cost or net realisable value. The first in first out (FIFO) and average cost methods of valuation are generally used. However, the tax authorities will generally accept a

method of valuation that conforms to standard accounting practice in the trade concerned. The last in first out (LIFO) method is not allowed.

CAPITAL GAINS AND LOSSES

Capital gains are generally not taxable while capital losses are not deductible. However, capital gains that occur regularly and frequently are considered ordinary business income.

DIVIDENDS

Dividends received by a company resident in Antigua and Barbuda from another company resident in Antigua and Barbuda are taxed at the corporate income tax rate of 25%. Credit is given to the recipient for the tax already paid on the dividend in computing the tax liability.

INTEREST DEDUCTIONS

All outgoings and expenses wholly and exclusively incurred in the production of taxable income are deductible and thus are paid interest and royalties. There are no thin capitalization rules.

LOSSES

Losses can be carried forward for up to 6 years while losses cannot be carried back. Losses may only offset 50% of chargeable income in an income year. Loss carry-back is not permitted.

FOREIGN SOURCE INCOME

Resident companies are subject to tax on their worldwide income. Foreign income is subject to the general rules of income tax and foreign business income is calculated similar to domestic business income while capital gains on foreign assets are not taxable. Foreign dividends, interest and royalties received by resident companies are included in chargeable income for their gross amount, less related outgoings and expenses.

TAX INCENTIVES

International Business Corporations Act 1982

An international business company (IBC) is exempt from the payment of corporate income tax and other direct taxes and stamp duties. International activities performed under the umbrella of an IBC could e.g. be banking, insurance (broking), manufacturing, commercial, industrial, trading or business services, trust business and international shipping and aircraft.

Investment Authority Act 2006

The 2006 Act sets the framework for the promotion of investment opportunities in Antigua and Barbuda by introducing a system of registration of businesses, an investment code and a range of incentives which are available for both local and foreign investors, like exemption from income tax, withholding tax and customs duties and reduction of stamp duty and property tax.

C. FOREIGN TAX RELIEF

In the absence of a double tax treaty, unilateral relief of double taxation is restricted to relief for British Commonwealth taxes. In case of income taxed both in the Commonwealth country and in Antigua and Barbuda, limited relief is available for resident companies against Antigua and Barbuda income tax for the income taxes of British Commonwealth countries assessed on or deducted at source. Unilateral relief for an eligible Commonwealth income tax is half the Antigua rate (12.5%). However, Antigua and Barbuda will only grant the unilateral relief if the source country grants similar relief to its residents for Antigua and Barbuda taxes. Unilateral relief is granted on a per-country basis and no further credit is granted for underlying tax. Foreign taxes of non-Commonwealth countries are considered to be an expense and therefore deductible.

D. CORPORATE GROUPS

Group taxation is not permitted in Antigua and Barbuda.

E. RELATED PARTY TRANSACTIONS

There are no transfer pricing regulations as such, nor are there rules on Controlled Foreign Companies (CFC).

F. WITHHOLDING TAX

There is no withholding tax on payments to resident companies. Interest, royalties, rentals, technical services fees and management fees paid by a resident company to a non-resident company are subject to a 25% final withholding tax unless a tax treaty applies.

G. EXCHANGE CONTROL

There are no limits on foreign exchange transactions.

H. PERSONAL TAX

There is no personal income tax in Antigua and Barbuda.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends		Interest (%)	Royalties (%)
	Individuals, companies (%)	Qualifying companies (%)		
Domestic rates				
Companies	25	25	25	25
Individuals	25	–	0/25	25
Treaty countries[5]				
Caricom[1]	0/15[2]	0/15[2]	15	15
Switzerland[6]	–[3]	–[3]	–[3]	0
United Kingdom	0	0	–[4]	0

Notes:

1. Multilateral treaty ratified by Antigua, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines and Trinidad and Tobago.
2. The higher rate applies to dividends distributed from preference shares.
3. Dividends and interest are not covered under the treaty, thus the domestic rates apply.
4. Interest is not covered under the treaty, thus the domestic rate applies.
5. IBCs (International Business Corporations, see higher) do not have access to the tax treaties.
6. 1954 Treaty originally concluded between the UK and Switzerland and subsequently extended to Antigua.

ARGENTINA

MEMBER FIRM

City	Name	Contact Information
Buenos Aires	Gustavo Director	+5411 5235 6446 gdirector@pkfargentina.com.ar

BASIC FACTS

Full name:	Argentine Republic
Capital:	Buenos Aires
Main languages:	Spanish
Population:	45.13 million (2020 estimate)

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Monetary unit:	Argentine Peso (ARS)
Internet domain:	.ar
Int. dialling code:	+54

KEY TAX POINTS

- Companies domiciled in Argentina are subject to income tax on their worldwide income. Non-resident companies are subject to tax on Argentina-sourced income.
- There is no separate capital gains tax levied on capital gains of companies as they fall under the scope of corporate income tax.
- VAT is applied at all stages of the production and selling processes (output tax). Tax suffered in the immediately preceding stage is deductible (input tax).
- Any foreign taxes paid on foreign-accrued income may be credited against Argentine income tax up to the limit of the Argentine tax on the same income.
- Transactions between Argentine companies and related parties are deemed to take place at arm's length rates for tax purposes. For income tax assessment purposes, Argentine Law provides for the traditional methods generally used for transfer pricing (comparable uncontrolled price, resale price, cost plus, profit split, transaction net margin) to demonstrate that an arm's length price has been used.
- Argentine-sourced income paid to foreign recipients not having a permanent establishment in Argentina is subject to 35% withholding tax. However, for each activity, the law establishes a percentage of presumptive net income on which 35% withholding tax is applicable, thereby reducing the effective tax rate.
- Income tax is levied on income earned by resident individuals in Argentina and abroad.
- Personal assets tax (wealth tax) is levied on all assets, wherever situated, of Argentine domiciled persons, on Argentine assets of non-domiciled persons and on shares issued by an Argentine company (the company pays the tax on behalf of the shareholders). In the case of trusts (excluding financial trusts), the trustee pays the tax on behalf of the beneficiaries.

A. TAXES PAYABLE

COMPANY TAX

Companies domiciled in Argentina are subject to income tax on all their income, whether sourced in Argentina or in a foreign country. Non-resident companies are subject to tax on Argentine-sourced income. Income from the export of goods situated in Argentina is deemed to be fully taxable and, for other specific international activities (e.g. news agencies, insurance, commercial use of films produced abroad, international transport etc.), the tax law sets a certain percentage as presumed income.

The tax rate for corporations (*Sociedades Anónimas, Sociedad de Responsabilidad Limitada - Limited Liability Corporation - en Comandita*) and branches of foreign companies (permanent establishments) domiciled in Argentina is:

- 30% applicable for fiscal years beginning as of 1 January 2018;
- 25% applicable for fiscal years beginning as of 1 January 2021.

For partnerships, the tax is charged to each partner according to a progressive tax rate scale ranging from 5% to 35% depending on the amount of the taxable income.

Foreign recipients not qualifying as a permanent establishment in Argentina are subject to withholding tax at source. The rate is 35% on the applicable presumptive net income percentage, depending on the type of payment made (i.e. interest, fees, royalties, rentals, etc.). For companies organised or incorporated in Argentina, any income tax (or similar tax) paid abroad on a foreign source income is creditable against Argentine income tax, up to a certain limit.

Company income is taxed on an accrued basis during the company's business year. The tax is assessed annually within five months after the fiscal year end. Advanced payments must be made monthly on the basis of the tax amount paid the previous year. Moreover, the AFIP (Tax Authority) has enforced several withholding tax rulings that involve almost every type of activities. The income tax withheld during the fiscal year is creditable against the income tax assessed, as well as the advanced payments. The balance must be paid at due date. Taxpayers can submit an instalment plan (up to six instalments) accruing interest at a monthly 3% rate (on average, may change subject to inflation).

CAPITAL GAINS TAX

There is no separate tax levied on capital gains for companies organised in the country or for branches as they fall under the scope of income tax. For foreign corporations, capital gains are also included under a withholding at source income tax regime at the time the payment is made.

For foreign resident companies and individuals, capital gains derived from the sale of shares, stocks, bonds and other securities (whether listed or unlisted on the Stock Exchange) are levied on income tax at a rate of 15%. Foreign resident taxpayers can elect to be taxed on the gross sales price. In this case, 90% on the gross sales price will be deemed to be the amount of capital gains that will be subject to a rate of 15%. Therefore, the effective tax rate on the gross sales price will be 13.50%.

VALUE ADDED TAX (VAT)

This tax is applied to all stages of the production and sales processes (output tax) and the tax amount of the immediately preceding stage is deductible (input tax). The tax is imposed on the following transactions.

- Sale of personal property situated in Argentina;
- Leases and services, including financial and insurance services;
- Real estate leases,
- Work performed on third-party real property;
- Work performed on owned real property, in the case of constructors,
- Production of personal property commissioned by a third party,
- Procurement of natural goods commissioned by a third party;
- Permanent import of personal property,
- Services provided from abroad and used in Argentina (including interest). In this case, input tax must be paid by the local company and it automatically becomes 'input tax' for VAT purposes in the following month;
- Digital services provided from abroad whose use or exploitation takes place in Argentina. The definition of "digital services" includes, among others, the following. the supply and hosting of computer sites and web pages, maintenance, online technical support, the provision of digitized products in general (computer programs, digital books, designs, reports, etc.), memory services and online advertising, software, cloud-based downloads (images, text, information, video, music, games (including casinos), movies, or any digital content), online clubs, blogs, magazines, newspapers, learning , online market services and online auctions, etc.

VAT is assessed on a monthly basis. The inception of the taxable event is to issue the invoice, deliver the goods and render the service or the receipt, whichever is the earliest. The standard tax rate, currently 21%, is charged on the net price of the transaction. There are some leases and services levied at 27% (electricity, telecommunications, etc.). Some goods and services are levied at 10.50% (bovine meat, fresh vegetables, lodgings, interests on loans received from Argentine financial institutions, certain property plant and equipment, newspapers and magazines, transportation for individuals, etc.).

Exports are subject to a zero rate (destination country method). Exporters can apply input tax (incurred in making exports) against output tax arising from other taxable transactions. In case of a net input tax (internal charge), exporters are entitled to a refund (under a special procedure established by the tax authorities).

Input tax arising from the purchase of fixed assets is eligible for a refund if not used to offset output tax after 6 months. Foreign tourists are also entitled to a VAT refund (cash or in credit card account) included in personal property purchases and lodging services in some tourist areas. There are several withholding and 'collection at source' regimes in force. The VAT withheld or collected at source is creditable against the internal charge. In case of a reminding tax credit, it can be offset against any other federal tax liability.

FRINGE BENEFITS

No tax is levied specifically on fringe benefits, since they are taxed along with income tax and social security contributions.

MINIMUM PRESUMPTIVE INCOME TAX (MPIT)

This tax has been repealed for SMEs effective 1 January 2017, and also for all other companies effective 1 January 2019.

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PERSONAL ASSETS TAX PAID ON BEHALF OF SHAREHOLDERS

Companies residing in Argentina are levied on Personal Assets Tax on behalf of their shareholders (see section "H. Personal Assets Tax (Wealth Tax)" below).

SINGLE SIMPLIFIED TAX

Single simplified tax is a volunteer tax applicable to individuals and small partnerships that perform little activity and where the income does not exceed a threshold set by the Act. The taxpayer can choose whether to pay income tax and VAT or substitute both by paying a monthly single simplified tax. The tax is determined taking into account an income scale.

LOCAL TAXES

The different provinces and jurisdictions within the territory of Argentina apply local taxes. A brief description is provided as follows:

TURNOVER TAX

This is a provincial tax levied on the various stages of production and selling processes but no input tax is deductible from the tax amount of the immediately preceding stage (waterfall effect). In general, it applies to gross revenues accrued during each fiscal period (month). The tax rate is approximately 3% to 5% for commercial activities, 1.5% to 4% for industrial activities, and 1% to 3% for primary activities, according to the taxpayer's turnover and other regulations enforced by each provincial Tax Act.

Under an agreement signed between the National Administration and the Provincial Administrations, several exemptions to some productive activities have been established and the tax scheme will be gradually reshaped until this tax becomes ineffective and replaced by a 'neutral' tax. In general, small industrial activities are not liable for this tax in the jurisdiction where the factory is located.

STAMP DUTY

The duty is levied in each of the country's jurisdictions (Provinces) on juristic acts and instruments entailing a flow of wealth between the parties involved in the legal relationship. Thus, Stamp Duty is applicable *inter alia* to acts whereby for profit transactions on real estate, personal property, services rendered and civil, commercial or financial obligations are documented. Rates vary according to the jurisdiction and the type of instrument involved, the most common one being 1% of the contract value. Under the aforesaid fiscal agreement, Stamp Duty is also to be phased out in the future but currently it is still in effect.

LAND AND CAR TAXES

These taxes, typically 'ad valorem', are levied on land and automobiles located or registered within any of the country's 24 provinces. The fiscal assessment value of the assets and the applicable tax rate varies according to each jurisdiction.

MUNICIPAL LEVIES

These are municipal levies applied on a range of taxable bases in the various jurisdictions, in consideration of services provided by each township. The taxable event is the performance of an activity for profit in a town. The tax rate, set by each Municipal Act, is applicable to turnover and depends on the activity performed.

OTHER TAXES

EXCISE TAX

This is a federal tax on specific goods and services, levied on a variety of items such as cigarettes, tobacco, alcoholic beverages (whisky, other spirits, liquor, etc.), soft drinks, beer, automobiles, ships and aircrafts, mobile phone services, insurance premiums, luxury items (jewellery, stones, pearls, furs, etc.), some electronic products (microwave oven, television set, radio, several home appliances, etc.). Excise tax is levied on the sales price. The tax rate varies depending on the item. This tax is generally levied at the production or importing stage (first stage). Furthermore, a fuel and gas tax is levied on the sale of some of these products.

SOCIAL SECURITY CONTRIBUTIONS

These are federal taxes levied on both employers and employees. The taxable base is the salary. An employer files the tax return with the official authority under self-assessment and pays the tax withheld from

the employee together with his/her liability. Employee contributions on salaries (withholding) are 17% of salary (including health care).

Employers' contributions are assessed deducting a non-taxable minimum, applying the following tax rates:

Employer	Social Security Contribution	Health Care	Total
Non-taxable minimum	ARS 7,003	0%	24%
Small and medium-sized employer (including health care)	18%	6%	26.40%
Large-sized employer (including health care)	20.40%	6%	24.50%

Employers' social security contributions can be partially considered as input tax for VAT purposes in some provinces. The amount that can be offset depends on the employer's location, ranging from nil in Buenos Aires up to 8.85% in some other areas.

TAX ON CHECKING ACCOUNT DEBITS AND CREDITS

This tax is levied on financial transactions. The taxable event is not only each debit and credit in a checking account but also a large variety of financial transactions (money remittances, money orders, cheque deposit on saving accounts, etc.). The law sets out several exceptions (i.e. saving accounts, stock exchange agents, non-profitable associations, etc.), and provides for reduced rates for certain transactions such as time deposits.

To prevent tax avoidance, any amount over ARS 1,000 must be paid by cheque as a binding procedure. The tax rate applicable is 0.60% on each debit and 0.60% on each credit on checking account. Thus the whole transaction is liable for tax at a 1.2% rate. For specific activities performed by some taxpayers (who might use checking accounts to make payments on behalf of a third party) a 0.075% rate is applicable.

30% of the tax amount paid each month is creditable against income tax. The remaining 70% of the tax is a non-recoverable expense. The idea is that Financial Institutions act as withholding agents in order to ensure the revenue of the most important taxes.

Small and Medium Size Business (SMSB) that qualify and are duly registered as SMSB can consider 100% of this tax creditable against income tax subject to certain specific conditions.

B. DETERMINATION OF TAXABLE INCOME

Deductions for income tax assessment purposes include expenses incurred necessarily to obtain, maintain and preserve such income. The Income Tax Act lists specific regulations for dealing with the cost of products, fixed assets, real estate, or securities sold, as well as deductible bad debts, and property plant and equipment depreciation.

INVESTMENT ALLOWANCE

At present, for general business, there is no income tax incentive scheme in force allowing additional deductions, in whole or in part, for investment in facilities and equipment.

Small and Medium Size Business (SMSB) that qualify and are duly registered as SMSB can deduct 100% depreciation of some property plant and equipment in one year subject to certain specific conditions.

DEPRECIATION OF FIXED ASSETS

For real estate, the law sets a depreciation rate of 2% annually on the portion attributable to the building. The Tax Act indicates that fixed assets may be depreciated over their estimated useful life on a straight-line basis. Assets subject to depletion (mines, quarries etc.), may be depreciated, not under the straight-line method, but proportionally to the units extracted in each period.

STOCK / INVENTORY

In the case of resale goods and raw materials, inventories should be valued for tax purposes at the end of each business year at their acquisition cost (last purchase value). For self-manufactured items, the inventory value is determined on the basis of the sales price at the end of the fiscal year after deducting any direct expenses associated with the sale and the net profit margin. In special cases, where cost accounting systems

are maintained, own-production goods can be valued at their production cost.

CAPITAL GAINS AND LOSSES

Capital losses are deductible, subject to the limitations noted in the paragraph under 'Losses' below.

DIVIDENDS

- Earnings arising from fiscal years beginning as from 1 January 2018:

  Dividends and profit distributions are subject to tax.

  - Dividends arising from fiscal years beginning between 1 January 2018 and 31 December 2020 are taxed at a 7% rate.
  - Dividends arising from fiscal years beginning as from 1 January 2021 are taxed at a 13% rate.
- Earnings arising from fiscal years ending up to 31 December 2017:

Dividends and profit distributions are not subject to tax.

Equalization tax applies to dividends paid to residents and non-residents when commercial profits (i.e. the profits before tax as reported in the company's financial statements) exceed taxable profits.

If the distributed dividend does not exceed the taxable profit, equalization tax is not levied, whomever its recipients are, provided that the dividend is distributed on nominative (registered) shares. If the dividend exceeds taxable profit, a 35% withholding tax is due on the difference (equalization tax). No tax credit is derived from the tax withheld because dividends are not levied as income for the recipient (the whole tax was withheld).

INTEREST DEDUCTION

Interest is generally deductible provided that it is incurred on loans taken out for business purposes. Otherwise the deduction is denied. Notwithstanding this, there is a threshold set on deductible interest.

Interest on financial debts (excluding commercial debts) arising from indebtedness with related parties (domiciled in Argentina or abroad), will be deductible up to the limit of 30% of the net profit before deducting such interest and depreciations. The threshold not applied can be deferred for 3 years and the non-deductible interest can be deducted in the following 5 years up to the limit applicable to each year. This rule is not applicable in some situations (financial entities, among others).

Furthermore, interest on debts arising from indebtedness with related parties domiciled abroad or any party domiciled in "non-cooperative countries" will be deductible only when paid (not when accrued).

LOSSES

Income tax losses made in a given fiscal year may be carried forward for five years but taxpayers may only offset losses against the same type of income. Thus, stocks and foreign-sourced losses may only be offset against income of the same type.

FOREIGN CAPITAL INFLOWS

No special regulations exist to control incoming funds disclosed as capital contributions, as the current policy is designed to encourage inflows of foreign capital. However, foreign companies should pay personal assets tax (see below) because Argentine law deems that the stock belongs to a resident individual. On the other hand, there are specific regulations in force to control outgoing funds set by the Central Bank (general anti-money laundering procedures apply).

INCENTIVES

Promotional tax schemes are available for new investments in agricultural transactions and tourism in certain areas of Argentina. Approval of new industrial investment projects has been suspended.

CORPORATE MERGERS

Corporate reorganisations (de-mergers and mergers/consolidations) are to be considered 'tax-free' provided that certain legal requirements and proceedings are met. These relate, in particular, to maintenance of the shareholders' interest and continuance of the business activity carried out (two years before and after the reorganisation process). In such cases, any outstanding tax loss may be carried forward and other existing allowances and liabilities may be passed on to the successor companies.

SHARES AND BONDS

For corporations domiciled in Argentina, the income produced by shareholding is liable for tax when share alienation takes place (not just because of holding shares). On the other hand, bonds must be valued at their current value. Therefore, the income produced by bond holding is liable for tax whether they are sold or not. For foreign residents domiciled abroad, the disposal of shares (issued by an Argentine Company) is liable to Income Tax (see paragraph A – Capital Gains Tax).

C. FOREIGN TAX RELIEF

Any overseas income taxes paid on foreign-sourced income may be creditable against Argentine income tax up to the limit of the increase in the tax liability resulting from aggregating the foreign-sourced income.

D. CORPORATE GROUPS

Companies belonging to the same group or holding, but having separate legal status, should pay their taxes separately and the transfer of losses from lossmaking to profit-making members of the same group of companies is not permitted. Nevertheless, payment is waived in the case of taxes arising from corporate reorganisations (de-mergers and mergers/consolidations) which comply with established legal requirement's (particularly, maintenance of the shareholders' interest and continuance of the business activity carried out) for two years before and after the reorganisation process.

E. TRANSFER PRICING AND RELATED PARTY TRANSACTIONS

Under Argentine law, transactions between Argentine companies and related parties domiciled abroad are deemed to take place at arm's length rates for tax purposes. When the pricing used corresponds to normal market practices as between non-related entities, no adjustment is required for tax purposes.

For income tax assessment purposes, Argentine law provides for the traditional methods generally used for transfer pricing (comparable uncontrolled price, resale price, cost plus, profit split, transaction net margin) to demonstrate that an arm's length price has been used in transactions performed with related parties residing abroad, or any parties residing in 'non-cooperative countries'. Income tax rulings provide a positive list of 'cooperative countries' available at http://www.afip.gob.ar/jurisdiccionesCooperantes/#ver.

The related parties test is broad and not only includes transactions between a local subsidiary and its parent company but also other relationships, (e.g. local company and foreign subsidiary, local permanent establishment and foreign head office, local company and foreign permanent establishment, local company and related or non-related party residing in 'non-cooperative countries', among others).

F. WITHHOLDING INCOME TAX FOR FOREIGN TRANSACTIONS

When Argentine-sourced income is paid to foreign recipients who do not have a permanent establishment - branch, office, etc. - in Argentina, such income is subject to a 35% withholding tax rate.

For each activity, the law sets a percentage of presumptive net income on which 35% withholding tax is applicable, thereby reducing the effective tax rate. The following chart shows the presumptive net income percentages:

Income	Presumptive net income % A	Effective withholding tax rate % 35% x A
Interest on loans granted by overseas financial institutions only on the condition that the lender: a) Is domiciled in a jurisdiction not considered a "jurisdiction of low or nil tax", and, b) Has supervision on financial activity provided by the Central Bank (Federal Reserve). Offshore banks domiciled in any territory are not included in this category.	43%	15.05%
Interest on debt arising from the import of property plant and equipment subject to depreciation (except cars) provided that the exporter is the creditor.	43%	15.05%

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Income	Presumptive net income % A	Effective withholding tax rate % 35% x A
Interest on time deposits made by foreign residents (either companies or individuals) in financial institutions located in Argentina, provided the interest is not subject to income tax in the country of residence.	43%	15.05%
Other interest. This category includes (among others). a) Interest on loans granted by overseas corporations or individuals; b) Interest on loans granted by offshore banks domiciled in any territory considered a "jurisdiction of low or nil tax" or who's Central Bank (Federal Reserve) does not apply supervision on financial activity.	100%	35.00%
Royalties arising from technical assistance or consulting not available in Argentina under specific regulations (the contract must be duly registered with the official authority).	60% - 80%	21% - 28%
Copyright (must be registered with the National Copyright Bureau).	35%	12.25%
Other royalties.	90%	31.50%
Salaries of technicians, professionals, sportsmen, and artists for temporary work in Argentina (individuals only - not applicable when the provider is a corporation).	70%	24.50%
Personal property leases.	40%	14.00%
Real Estate property leases.	60%	21.00%
Disposal of assets situated in Argentina.	50%	17.50%
Dividends and profit distributions.	See paragraph B. Dividends	See paragraph B. Dividends
Sale of shares, stocks, bonds and other securities, applicable on the gross sales price. (In this case, the taxpayer can elect to be taxed on the capital gain at a 15% rate).	90% x 15% tax rate	13.50%
Other income	90%	31.50%

G. EXCHANGE CONTROL

Exchange controls are currently in effect, basically following anti-money laundering procedures. Foreign currency can be transferred into Argentina provided that the recipient files a disclosure with the official authority. To transfer outbound, the reason must be proved by filing forms with the Central Bank (i.e. dividends, loans, etc.).

TAX ON FOREIGN CURRENCY PURCHASES

The tax is levied on the purchase of foreign currency without a specific destination (for hoarding, paying credit card balance in foreign currency, paying international services such as transportation, hotels, etc., among others). The purchase of foreign currency to pay for imports, invoices, loans or dividends is not subject to the tax.

The taxable base is the amount of foreign currency while the tax rate is 30%.

H. PERSONAL TAX

Two taxes are currently levied on individuals.

- Income tax, and
- Personal assets tax (wealth tax).

INCOME TAX

The tax is levied on income earned in Argentina and abroad by individuals residing in Argentina. It is payable on an annual basis with five advanced payments (every two months). Any expenses incurred in generating such income may be deducted from gross income. The law sets fixed deductions, non-taxable minimum, special tax-free amount, allowance for dependents, etc.

Resident individuals are liable to tax on the basis of a progressive tax rate scale ranging from 5% to 35% of annual taxable net income. Employees are subject to withholding tax at source, for which the employer is responsible (withholding agent).

Capital gains not related to an income-generating activity are generally not subject to tax.

Financial investment profits are subject to Income Tax.

- Income (interest and others) for the placement of capital, which generates Argentinean sourced income;
- Income arising from the alienation (purchase - sale) of shares, securities, stock, bonds and other securities, which generates Argentinean sourced income.

(Taxable earnings exclude bank deposits, time deposit in financial entities, securities, mutual funds, among others (if quoted on a Local Stock Exchange).

In both cases the income is taxed at a 5% rate when capital is in ARS; or 15% for investments made in foreign currency. Under the Income Tax Act, some exemptions are provided for the financial and capital markets, whereby income from shares that are quoted on the Local Stock Exchange is not subject to tax.

In the case of the disposal of real property not assigned to such an activity, the following tax is applicable:

- Real Estate purchased before 1 January 2018: a 1.50% real estate sales tax is charged on the sales value of the property, regardless of whether or not a loss or a profit is made.
- Real Estate purchased as from 1 January 2018: a 15% Income Tax is levied on the net income (sales price minus acquisition cost).

PERSONAL ASSETS TAX (WEALTH TAX)

This tax is levied on:

- All assets located in Argentina or in foreign countries that belong to individuals resident in Argentina;
- All assets located in Argentina that belong to individuals resident in foreign countries;
- Shares issued by Argentine companies. In this case, the company pays the tax on behalf of the shareholders;
- Trusts (excluding financial trusts). In this case, the trustee pays the tax on behalf of the beneficiaries.

Individuals residing in Argentina

This tax is levied on all assets located in Argentina and in foreign countries. Similar tax paid overseas in respect of assets located in foreign countries is creditable against personal assets tax. The only deduction allowed is the amount of liabilities arising from the purchase or construction of the taxpayer's home. Investments in shares issued by an Argentine company are not to be included in the taxable base because the company pays this tax on behalf of the shareholders (a situation that does not mean shares are exempted).

The tax is assessed on the value of property that exceeds the tax free amount (ARS 2,000,000 from the year 2019 onwards and ARS 18,000,000 only for real estate that serves as the taxpayer's home). If the taxable base is higher than the tax free amount, the tax is assessed on the net amount. A progressive tax rate scale is applicable, ranging from 0.50% to 1.25% on the value of the property located in Argentina, and ranging from 0.70% to 2.25% on the value of the property located in foreign countries.

Individuals and companies residing in a foreign country

The tax is also charged on assets located in Argentina and owned by individual non-residents at a 0.50% rate. Neither deductions nor a taxable minimum are allowed. In the case of certain assets (i.e. securities, non-exploited real estate property, etc.) located in Argentina and owned by foreign companies, these are deemed to belong to individuals and are subject to personal assets tax at a 1% rate.

Shareholders of an Argentine company who reside in foreign countries are liable for personal assets tax. The tax liability is not assessed directly but is paid by the company on behalf of its shareholders (see the next paragraph).

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Shares issued by Argentine companies or trusts

Shares whose holders are non-resident companies or individuals are deemed to belong to non-resident individuals and the tax is levied on those shares. The taxable base is the Argentine company's equity value assessed on the company's last financial statements. The tax rate is 0.50%.

In all such cases, the tax is assessed and paid by the Argentine company on behalf of the shareholders. The tax paid is not deductible for income tax purposes because the company is allowed to claim the tax paid to the shareholders. A foreign company's branch (a permanent establishment in Argentina) will be subject to personal assets tax in respect of the capital assigned to the branch. In the case of trusts (excluding financial trusts), the trustee pays the tax on behalf of the beneficiaries. The taxable base is the amount of the assets.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends[11] (%)	Interest (%)	Royalties (%)
Non-Treaty Countries	/ See paragraph B. Dividends	15.05/35[9]	12.25/28/31.50[6]
Treaty Countries:			
Australia	10/15[1]	12	10/15[5]
Austria[10]	–	–	–
Belgium	10/15[1]	0/12[12]	3/5/10/15[7]
Bolivia	–[8]	–[8]	–[8]
Brazil	–[8]	–[8]	–[8]
Canada	10/15[1]	0/12.50[13]	3/5/10/15[7]
Chile	10/15[1]	4/12/15[14]	3/10/15[7]
Denmark	10/15[1]	0/12[15]	3/5/10/15[7]
Finland	10/15[1]	15[3]	3/5/10/15[7]
France	15[1]	20[3]	18
Germany	15[1]	10/15[2]	15[3]
Italy	15[1]	0/20[13]	10/18[5]
Mexico	10/15[1]	0/12	10/15[5]
Netherlands	10/15[1]	0/12[13]	3/5/10/15[7]
Norway	10/15[1]	0/12/12.50[13, 16]	3/5/10/15[7]
Russia	10/15[1]	15	15
Spain	10/15[1]	0/12[13]	3/5/10/15[7]
Sweden	10/15[1]	0/12/12.50[13, 17]	3/5/10/15[7]
Switzerland	10/15[1]	12	3/5/10/15[7]
United Arab Emirates[18]	5/10/15	12	10
United Kingdom	10/15[1]	0/12[13]	3/5/10/15[7]
Uruguay	–[4]	–[4]	–[4]

Notes:

1. This is the percentage ceiling set under the treaty. However, it is only applicable when the conditions set under paragraph B. 'Dividends' are met.
2. The lower 10% rate applies to sales on credit of industrial, commercial or scientific equipment, and loans granted by a bank or for the financing of public works.

3. This is the ceiling set by the treaty. However, when the effective rate for non-treaty countries is lower, the latter rate is applicable.
4. Under the treaty no ceilings were set but the jurisdiction where the tax should be levied was established. Therefore, applicable rates are those for non-treaty countries.
5. The 10% rate applies to copyright royalties.
6. The actual rate is 35%, but levied on 35%, 80% or 90% of the income, which results in an effective tax rate of 12.25%, 28% and 31.50%. See above under F.
7. A 3% rate applies to news-related royalties, a 5% rate applies to copyright royalties (other than royalties related to films or tapes), a 10% rate applies to trademarks, patents, certain lease-related royalties and technical assistance, and a 15% rate applies to other cases.
8. Under the treaty no ceilings were set but the jurisdiction where the tax should be levied was established. Therefore, applicable rates are those for non-treaty countries.
9. See withholding taxes description at (F) above.
10. The treaty with Austria was rendered ineffective as of 1 January 2009.
11. The lower rate generally applies to participations of at least 25% of capital or voting power.
12. The 0% rate applies to, inter alia, (i) interest on commercial debt claims (including debt-claims represented by commercial paper) resulting from deferred payments for machinery or equipment supplied by an enterprise, except where such interest is paid between associated enterprises and (ii) interest on loans of any nature (not represented by bearer instruments) granted on preferential terms for a period of at least three years by a banking enterprise.
13. The 0% rate applies to, inter alia, interest paid by public bodies.
14. The general treaty rate is 15% while the 4% rate applies to interest from a sale on credit paid by the purchaser of machinery and equipment to a beneficial owner that is the seller of the machinery and equipment and the 12% rate to interest derived from loans granted by banks and insurance companies and bonds or securities that are regularly and substantially traded on a recognized securities market.
15. The general treaty rate is 12% while a 0% rate applies to interest paid to (national) banks and financial institutions, subject to certain conditions.
16. The general treaty rate is 12.5%. However, under the application of a most favoured nation clause the rate is reduced to 12% (Argentina-Australia treaty).
17. The general treaty rate is 12.5%. However, under the application of a most favoured nation clause the rate is reduced to 12% (Argentina-Denmark treaty).
18. Effective date: 1 January 2020.

ARMENIA

MEMBER FIRM

City	Name	Contact Information
Yerevan	Gor Davtyan	+374 115 775 44 auditservicellc@gmail.com

BASIC FACTS

Full name:	Armenia
Capital:	Yerevan
Main languages:	Armenian
Population:	2.96 million (2020 estimate)
Monetary unit:	AMD
Internet domain:	.am
Int. dialling code:	+374

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KEY TAX POINTS

There are general and special taxation systems in force in the Republic of Armenia.

Special taxation system:

- Under the turnover tax system, organisations are subject to turnover tax, to VAT and/or substitute profit tax while private entrepreneurs and notaries are subject to turnover tax, substitute profit tax, and VAT excluding patent tax.
- Under the patent tax system, on the activities considered as objects of taxation of patent tax, organisations are subject to patent tax substitute to VAT and/or profit tax while private entrepreneurs and notaries are subject to patent tax, substitute profit tax and VAT.
- A resident organisation of the Republic of Armenia shall be the organisation whose location is in the Republic of Armenia.
- Resident Individuals in the Republic of Armenia are those Individuals who have stayed 183 and more days during the tax year in the Republic of Armenia.
- Days of actual stay in the Republic of Armenia are also the days of arrival and departure from the Republic of Armenia, regardless of the number of hours actually spent by the individual during these days in the Republic of Armenia.
- Resident individuals are also:
  - Those individuals whose vital interests centre is located in the Republic of Armenia. The centre of vital interests is the place where the family or economic interests of an individual are focused. Particularly, it is considered that the centre of vital interests of an individual is located in the Republic of Armenia if its home or other apartment, family, professional or other place of business is located in the Republic of Armenia.
  - Individuals who are temporarily outside of the territory of the Republic of Armenia, but who are in State service in the Republic of Armenia.
  - For the purposes of the Tax Code, if an individual is considered to be a resident at any date of the tax year, then that individual shall be deemed to be resident for the whole tax year.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

In Armenia, the following State taxes are applicable.

1. Value added tax (hereinafter also referred to as "VAT")
2. Excise tax
3. Profit tax
4. Income tax
5. Environmental tax
6. Road tax
7. Turnover tax
8. Patent tax.

COMPANY TAX

General and specific taxation systems are applicable in Armenia.

- Within the framework of the general taxation system, organisations, individual entrepreneurs and notaries are taxed, in particular, under VAT and/or profit tax.
- In specific taxation systems:
  - Within the framework of the system of turnover tax, organisations, individual entrepreneurs and notaries are taxed, in particular, under turnover tax replacing VAT and/or profit tax;
  - Within the framework of the system of patent tax, organisations and individual entrepreneurs are taxed, in particular, under patent tax replacing VAT and/or profit tax;
  - Within the framework of the system of family entrepreneurship, organisations and individual

entrepreneurs are exempt, in particular, from taxation under VAT and/or profit tax, as well as under turnover tax.

CAPITAL GAINS TAX

1. Profit taxpayers are:

- Resident organisations, except for cases prescribed by part 2 of this Article;
- The following entities registered in Armenia:
  - individual entrepreneurs;
  - notaries;
- Contractual investment funds (except for pension funds and guarantee funds), which are registered in Armenia;
- Non-resident organisations, as well as non-resident natural persons carrying out activities in Armenia through a permanent establishment and/or deriving Armenian-sourced income through a permanent establishment.

2. Subject to Profit tax are:

- Regarding resident organisations, individual entrepreneurs registered in Armenia and notaries (hereinafter referred to as "resident profit taxpayers") — gross income derived or to be derived (hereinafter referred to as "derived" in this Section) from sources of and/or outside Armenia, except for personal income of individual entrepreneurs registered in Armenia and notaries;
- Regarding investment funds (except for pension funds and guarantee funds) which are registered in Armenia, as well as for securitisation funds established under Armenian law "On asset securitisation and asset backed securities" — total net assets;
- Regarding non-resident organisations, as well as non-resident natural persons carrying out activities in Armenia through a permanent establishment and/or deriving Armenian-sourced income through a permanent establishment (hereinafter referred to as "non-resident profit taxpayers") — Armenian-sourced gross income, except for Armenian-sourced personal income of non-resident natural persons carrying out activities in Armenia through a permanent establishment and/or deriving Armenian-sourced income through a permanent establishment.

3. Profit tax base constitutes:

- Regarding resident profit taxpayers — taxable profit, which is determined as the positive difference between gross income and certain deductions;
- Regarding investment funds (except for pension funds and guarantee funds) which are registered in Armenia, as well as for securitisation funds established under Armenian law "On asset securitisation and asset backed securities" — total net assets, which is determined in accordance with the procedure defined by the Armenian Central Bank and agreed upon with the tax authority. For the purpose of applying this paragraph, dividends or other amounts distributed in any similar way out of the assets of the investment fund to its participants shall not be deducted from the net assets of the investment fund;
- Regarding non-resident organisations and non-resident natural persons carrying out activities in Armenia through a permanent establishment and/or deriving Armenian-sourced income through a permanent establishment (hereinafter referred to as "non-resident profit taxpayers carrying out activities in Armenia through a permanent establishment" in this Section) — taxable profit, which is determined as the positive difference between gross income and certain deductions;
- Regarding non-resident organisations carrying out activities in Armenia without a permanent establishment and/or deriving Armenian-sourced income without a permanent establishment (hereinafter referred to as "non-resident profit taxpayers carrying out activities in the Republic of Armenia without a permanent establishment") — gross income.
- Regarding activities not attributable to a permanent establishment and/or the income of non-resident organisations carrying out activities in Armenia through a permanent establishment — gross income.

4. Profit tax rates:

- Profit tax is calculated at a rate of 20% on the tax base of a resident income taxpayer and a non-resident profit taxpayer operating in the Republic of Armenia through a permanent establishment.
- Profit tax is calculated at the rate of 0.0% on the tax base of investment funds registered in the Republic of Armenia.

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- Profit tax taxable base on non-resident taxpayers is calculated at the following rates:
  a. 5% in respect of insurance premiums, reinsurance payments and revenues received for transportation,
  b. 10% in respect of passive income;
  c. 0% in respect of dividends received from the All-Armenian Bank;
  d. 0% in respect of the assets' value acquired from the alienation of securities;
  e. 20% in respect of other income received from Armenian sources.

SALES TAX / VALUE ADDED TAX (VAT)

Value-added tax (VAT) is a federal tax payable to the state budget in accordance with the procedure established by Tax Code of the RA, for carrying out transactions and/or operations that are subject to taxation. The following operations and transactions are VAT taxable items:

- Supply of goods.
- Performance of work and/or rendering of services.
- Import of Goods to the Republic of Armenia by Customs Procedure "Skip for Internal Consumption".
- Import of goods to the Republic of Armenia, having the status of EEU products from the member states of the Eurasian Economic Union.
- The goods delivery operation is not VAT taxable subject if the place of supply of goods is not considered to be in the Republic of Armenia.
- The transport service contract of cargo, post and/or passenger transportation by any type is not considered VAT taxable unless it starts and ends outside the Republic of Armenia.
- VAT is calculated at a rate of 20% and 16.67% for the taxable base of transactions and operations, which are subject to VAT according to the Tax Code.
- The amount of compensation included in the VAT amount for the supply, performance or service provision the amount of VAT is determined by the calculated value of the rate of 16.67%, if:
  a. organisation, individual entrepreneur or notary did not consider itself a VAT payer contrary to the Tax Code requirements,
  b. VAT payer organisation, individual entrepreneur or a notary in the settlement document drawn up for transactions considered to be taxable subject to 20% VAT rate, has not specified the VAT rate and amount on a separate line,
  c. VAT payer organisation, individual entrepreneur or a notary has not issued a settlement document on VAT taxable object transactions subject to 20% VAT taxation;
  d. VAT payer organisation, individual entrepreneur or a notary has provided only Control Cash machine ticket to buyer for transactions and/or operations considered VAT taxable.

LOCAL TAXES

1) Property tax
2) Vehicle property tax.

OTHER TAXES

Excise tax

Goods subject to Excise taxation are the following:

- ethyl alcohol (excluding cognac alcohol);
- alcoholic drinks;
- beer,
- wine;
- tobacco products (including tobacco substitutes, cigars, cigarels);
- lubricating oil;
- petrol,
- diesel fuel,
- crude oil;

- petroleum products;
- petroleum gases;
- other carbohydrates (excluding compressed natural gas);
- compressed natural gas.

Environmental tax

The environmental tax is a tax payable to the state budget for the purpose of implementing environmental measures in order to create the necessary funds.

Subject to environmental taxation are:

- emissions of atmospheric air pollutants;
- outflow of harmful substances and/or compounds to water resource;
- the utilisation, production and/or consumption of entrails in specially allocated places;
- goods, which cause damage to the environment.
  - Importation into the territory of the Republic of Armenia;
  - the alienation of import-seller and/or producers-sellers in the territory of the Republic of Armenia.

Road tax

Road tax is a tax payable to the state budget for the development of the road network of the Republic of Armenia, the creation of funds necessary for the construction, repair and maintenance of the state automobile roads of general use of the Republic of Armenia.

Subject to road taxation are:

1. Use of automobile roads of the Republic of Armenia by unregistered (off-road) motor vehicles in the Republic of Armenia;
2. Use of automobile roads of the Republic of Armenia by registered freight vehicles registered in the Republic of Armenia;
3. Placement of advertising on public roads of the Republic of Armenia;
4. The road tax is calculated for every 15 days of entry into the Republic of Armenia by non-registered trucks in the Republic of Armenia for the use of motor roads of the Republic of Armenia, according to the maximum permissible mass of the motor vehicle.

Turnover tax

Turnover tax is a state tax that replaces VAT and/or profit tax, paid to the state budget in accordance with the procedure, amount and timeframe established by the Tax Code for the types of activities that are subject to taxation.

Are subject to turnover taxation: supply of goods, performance of works and/or rendering of services. Transactions for which a lease or user fee, interest and/or royalty is received are also considered to be services.

Turnover tax is calculated at the following rates:

Income type	Rate/percentage
Income from trade (purchase and sale) activities, except income from trade (purchase and sale) of secondary raw materials included in the Government's defined list and from real estate alienation	5
Income from trading (purchase and sale) of secondary raw materials included in the Government's defined list	1.5
Income from newspaper alienation	1.5
Income from production activities	3.5
Income from lease payment, interest, royalties, real estate	10
Income from notary activity	10

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Income type	Rate/percentage
Income derived from organising lottery activities	25
Income from activities in the field of public catering	8
Income from other activities or disposal of other assets	5

Patent tax

Patent tax is the state tax that replaces VAT and/or profit tax, paid to the state budget for the implementation of types of activities considered as taxable objects. For organisations the patent tax replaces the VAT and/or the profit tax. Under the patent tax the calculated tax rate for the profit tax is 40% and for VAT it is 60%. For individual entrepreneurs the patent tax replaces VAT.

The following types of activities carried out in the Republic of Armenia are subject to patent tax.

- Passenger transportation by light passenger cars;
- Passenger transportation by bus and/or minibus;
- Hairdressing services;
- Car maintenance stations activities;
- Parking activities;
- Organising billiards game;
- Organising table tennis game;
- Organisation of games through coins and (or) billboards, food trade, as well as coin-operated automatic gaming (except for gambling and casino activities);
- Dental activity;
- Dental technical activity;
- Organisation of the totalizer;
- Organisation of the Internet totalizer;
- Purchase and sale of precious metals, precious metals or precious stones by means of countertops or merchandise at trading places (in gold markets).

REGISTRATION DUTY

In the Republic of Armenia, certain state fees are applied to:

- State duty;
- Utilisation fee;
- Social payment;
- Mandatory fee for the grant (renewal) of radio frequencies and the mandatory billing for use;
- Mandatory payment for public services;
- Pension payment.

In the Republic of Armenia, certain local fees are applied to:

- Local duty;
- Local fee.

Real Estate Tax

Real estate tax is a local tax payable to community budgets of the Republic of Armenia for real estate which is a taxable item owned by taxpayers under ownership right which does not depend on the results of economic activity of taxpayers. Real estate tax is also paid to the state-owned land plots for permanent use, as well as for immovable property as taxable items. Real estate, land plots and/or their improvements are subject to real estate tax.

Real estate taxpayers are organisations and individuals, apart from state bodies, community managerial institutions and the Central Bank of the Republic of Armenia. For the state-owned land that is permanently used, the real estate tax shall be borne by the permanent owner of the state-owned land. If the taxable item is owned by more than one taxpayer by common joint ownership, they bear joint liability for the obligations

with respect to immovable property, apart from the land plots belonging to different taxpayers, property units - buildings and / or constructions. If the taxable item is owned by more than one taxpayer by the right of common shared ownership, then they shall be liable for the obligations for the tax on immovable property in the amount of each part thereof.

Real estate tax is calculated at the following annual rates.

1. 15% for agricultural land;
2. 1% for other non-agricultural land;
3. Immovable property at the following rates.

Taxable base	Tax rate
Up to 3 million AMD	0%
More than 3 million AMD - up to 10 million AMD	AMD 100 plus 0.1% of the taxable base exceeding 3 million
More than 10 million AMD - up to 20 million AMD	AMD 7,100 plus 0.2% of the taxable base exceeding 10 million
More than 20 million AMD - up to 30 million AMD	AMD 27,100 plus 0.4% of the taxable base exceeding 20 million
More than 30 million AMD - up to 40 million AMD	AMD 67,100 plus 0.6% of the taxable base exceeding 30 million
More than 40 million AMD	AMD 127,100 plus 1% of the taxable base exceeding 40 million

Vehicle Property Tax

Vehicle Property tax is a local tax payable to community budgets of the Republic of Armenia for vehicles which are taxable item owned by taxpayers under ownership right which does not depend on the results of economic activity of taxpayers.

Vehicle property taxpayers are organisations and individuals, with the exception of public authorities, community managing institutions and the Central Bank of the Republic of Armenia.

The following vehicles are considered subject to Vehicle Property Taxation:

- Motor vehicles
- water transport (motor-driven)
- motorcycle
- Snowmobile
- Quadricot.

B. DETERMINATION OF TAXABLE INCOME

- Subject to taxation is any transaction, income, property, type of activity (including action or function) or any other object, whether the existence of ownership rights or the performance of which generates a tax liability or payment obligation at the level of the taxpayers.
- For each tax a separate taxable item is established.
- The same subject of taxation shall be taxed only once at the level of the same taxpayer for the same period.
- The taxable base is the value, physical or other characteristic of the taxable object.
- For each tax a separate tax base and the procedure for its calculation is established.

DEPRECIATION

In order to determine the tax base of resident profit taxpayers and non-resident profit taxpayers operating in the Republic of Armenia through a permanent establishment, the gross income is deducted from the amortisation expense of property, plant and equipment and intangible assets owned or leased by a resident or non-resident profit taxpayer.

Moreover, for each unit of fixed assets and intangible assets the amortisation charge is calculated during the taxable year, as the difference between the original cost of the fixed asset and the intangible asset and the intangible assets for individual groups and intangible assets.

On each unit of revalued fixed assets and intangible assets after revaluation, the depreciation charge is calculated based on the minimum taxation periods determined for the tax year as the carrying value of the intangible asset, individual groups of intangible assets and the calculated amortisation residual time ratio.

STOCK / INVENTORY

The tax authority (tax inspector) is authorised to make measurements of inventories. During a tax control, the Tax Authority may require the taxpayer (tax agent) to inventory assets and liabilities exclusively within the scope of tax control objectives and matters.

DIVIDENDS

In respect of dividends received by foreign citizens and stateless persons, the income tax is calculated at a rate of 10% while the income tax on dividends received by citizens of the Republic of Armenia is calculated at a rate of 5%.

LOSSES

In order to determine the tax base of resident profit taxpayers and non-resident profit taxpayers operating in the Republic of Armenia through a permanent establishment, natural losses of property are deductible from gross income, as well as qualitative, casual, technological and (or) other losses caused by property documents.

Natural loss of property is deducted from gross income not exceeding the amount set by the Government during the tax year of the loss or disclosure of that loss. Natural loss of property is the reduction of the weight, size, volume and/or quantity of the property due to the physicochemical, mechanical or biological factors during the preservation or movement of the property. If the Government has not specified the amount of natural loss or the amount of natural loss exceeds the amount determined by the Government then the loss shall not be deducted from gross income loss.

Qualitative loss of property substantiated by documents is deducted from gross income at a rate not exceeding 1% of the gross amount of the income during the tax year when occurring or disclosing that loss. Property qualitative loss is the property, or the goods withdrawn from circulation as a result of the expiration of the conservation period of the product with the expiration date or of the depreciation and/or demolition of time due to the impairment or limitation of the consumer's property.

Property document-based accidental loss is deducted from gross income at the full extent for the loss during the tax year. Property accidental loss is destruction or damage caused by fire, flood, earthquake or other natural disaster, shipwreck, war, military action, armed attack, mass disorder, revolt or any other such extraordinary event.

Property document-based technological loss is deducted from gross income as an item of material cost. Property technological loss is:

- the portion of the cost of raw materials, parts and/or nodes which has lost its quality as a result of the technology used in the production process;
- the defective product at the rate set by the profit taxpayer;
- technological losses established by law or by the Government Authorised Body.

Property document-based other losses are deducted from gross income to the amount of that loss.

When no norm of property document-based technological loss is established or exceeded, the corresponding losses are deducted from gross income:

- in case of voluntary reimbursement of the loss by the party that inflicted the damage during the tax year of loss' complete or partial compensation,
- as a result of non-disclosure of the person who has suffered damage in the case of a decision to suspend or discontinue the criminal case by the preliminary investigation body, in the tax year of the decision;
- in case of adoption of a judicial act establishing guilt or innocence by the court in a tax year of the act coming into force.

The documentation procedure for losses is defined by the Government.

TAX INCENTIVES

Except for the general procedure and/or terms of calculation and payment of taxes, fines, penalties and/or duties established by Tax Code of the RA, as a result of which there is no tax liability or decrease, or the amount of the taxable obligation is extinguished, or the dates of its calculation and/or execution are postponed.

The following types of tax benefits may be established by Tax Code of the Republic of Armenia:

- Tax exemption,
- Reduction of taxable object,
- Reduction of tax base;
- Reduction of tax rate,
- Tax reduction,
- Delay of tax payment;
- For violating the provisions of Tax Code: exemption from penalties and fines, reduction, delay of payment terms.

Exemption from the payment of profit tax

1. Profit taxpayers engaged in the production of agricultural products shall be exempt from paying profit tax for the tax years until 31 December 2024 included, for income derived from the sale of agricultural products, as well as for income derived from the sale of other assets or for other income, where the share of the income derived from the sale of other assets and of the other income in the gross income for the respective tax year does not exceed 10%. Where the share of income derived from the sale of other assets and of other income in the gross income for the respective tax year exceeds 10%, the benefit provided for by this part shall apply only with respect to the income derived from the sale of agricultural products. Within the meaning of this part:
   - agricultural products shall mean products produced for final or intermediate consumption, through biological processing of animals and plants, in particular:
     a. crops of cereal grains and cereal grain peas,
     b. technical crops;
     c. root and tuber, vegetable, melon and gourd crops and products of covered soil,
     d. forage crops of field cultivation;
     e. other products of forage production;
     f. products of gardens, vineyards, perennials plants and floriculture,
     g. seeds of trees and bushes, fruit seeds;
     h. seedlings of trees and bushes;
     i. plantings of trees and bushes,
     j. products of cattle breeding;
     k. products of swine breeding;
     l. products of sheep breeding and goat breeding,
     m. products of poultry breeding;
     n. products of horse breeding, donkey breeding and mule breeding;
     o. products of deer breeding and camel breeding,
     p. products of rabbit breeding, fur animal breeding and hunting economies;
     q. products of fish breeding, apiculture, silkworm cultivation, artificial insemination;
   - if it is impossible to make an accurate calculation of the income derived from agricultural products for the tax years until 31 December 2024 included, it shall be calculated based on the estimated net income data calculated in accordance with the cadastral valuation procedure prescribed by Annex 2, which is a constituent part of Tax Code.
2. The Armenian Deposit Guarantee Fund prescribed by the Law of the Republic of Armenia "On guaranteeing compensation of bank deposits of individuals" shall be exempt from paying profit tax for the following types of income:

- regular, lump sum and additional guarantee fees paid by commercial banks in accordance with the

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procedure prescribed by the Law of the Republic of Armenia "On guaranteeing compensation of bank deposits of individuals",

- amounts compensated to individuals by the Fund and received from banks based on claims acquired against the banks;
- incomes derived from investments in the following assets:
  a. state securities of the Republic of Armenia;
  b. those invested as bank deposits and/or bank accounts in the Central Bank of the Republic of Armenia and top foreign banks with high ratings;
  c. securities of the Central Bank of the Republic of Armenia;
  d. standard gold bullions;
  e. securities of governments and/or Central Banks of countries with high ratings;
  f. other financial assets, by decision of the Board of Trustees of the Fund and upon the consent of the Board of the Central Bank of the Republic of Armenia.

3. The Bureau established on the basis of the Law of the Republic of Armenia "On compulsory motor vehicle liability insurance" shall be exempt from paying profit tax for all fees made to the Guarantee Fund (hereinafter referred to as "Guarantee Fund") established within the Bureau pursuant to that Law, as well as for all other amounts generated for the Guarantee Fund, including those generated from income generated from investments made from the funds of the Guarantee Fund.
4. The Pan-Armenian Bank shall be exempt from paying profit tax.
5. Non-resident profit taxpayers shall be exempt from paying profit tax for income derived in the form of interests from foreign currency state bonds of the Republic of Armenia or in the form of a discount made at the time of repayment of said bonds, as well as for income derived from the alienation of said bonds, their exchange with other securities or other similar transactions.
6. Profit taxpayers engaged in the production of hand-made carpets shall be exempt from paying profit tax for the income derived from the sale of hand-made carpets.
7. Profit taxpayers deemed operators of a free economic zone shall be exempt from paying profit tax for the income derived from activities carried out in the free economic zone established in the territory of the Republic of Armenia.

C. FOREIGN TAX RELIEF

- Profit taxable objects and income tax received or to be received outside the Republic of Armenia by resident organisations of the Republic of Armenia and resident individuals of the Republic of Armenia shall be included in the taxable object under the relevant tax type of these organisations and individuals and shall be subject to taxation in the Republic of Armenia as prescribed by the Tax Code, unless otherwise prescribed by Tax Code.
- For the purpose of taxation of resident organisations of the Republic of Armenia and resident individuals of the Republic of Armenia, the tax amounts calculated for taxable objects determined shall be reduced to the amount of the sums of the relevant taxes which have been collected in foreign states in accordance with the legislation of those states.
- Amounts of taxes shall be reduced by amounts not exceeding the amounts of the relevant taxes calculated for taxable objects formed in foreign states in the manner and at the rates prescribed by the Tax Code.
- Where the amount of the profit tax or the income tax subject to reduction exceeds the profit tax or the income tax liability respectively for the given reporting year, the amounts of taxes in excess shall be subject to reduction from the liabilities of the following reporting years of the organisation or the individual.

D. CORPORATE GROUPS

There are no special rules for group taxation in Armenia.

E. RELATED PARTY TRANSACTIONS

According to the Tax Code, organisations and/or individuals shall be considered to be related where:

- 20% and more of the equity shares (stock, share) of the authorised (share) capital of the resident commercial organisation belong to another resident commercial organisation, an individual entrepreneur or a notary;

- 20% and more of the equity shares (stock, share) of the authorised (share) capital of the resident commercial organisation belong to the individual who is not an individual entrepreneur and to whom also belongs 20% and more of the equity shares (stock, share) of the authorised (share) capital of another resident commercial organisation.
- Organisations and/or individuals shall be considered to be related where according to the information received from a third person (including from a state body) or obtained as a result of operational and intelligence activities, organisations and/or individuals — on grounds of acting in consent for common economic interests — are recognised as related upon the decision of the head of the tax authority as prescribed by the tax authority. When recognising taxpayers as related, the following circumstances, in particular, shall be taken into account.
  - volume and frequency of transactions carried out between them;
  - sale prices and trade mark-ups of the goods purchased from one another;
  - Share in any commodity market.

F. WITHHOLDING TAX

- Dividends paid to non-resident companies are subject to a % final withholding tax, unless a DTT provides otherwise;
- A 10% final withholding tax applies to interest paid to non-resident companies, unless a DTT provides otherwise;
- Royalties are subject to a 10% final withholding tax, unless a DTT provides otherwise;
- Insurance fees and freight payments are subject to a 5% final withholding tax.
- Any other income from Armenian sources is generally subject to a 20% withholding tax.

G. EXCHANGE CONTROL

- Within the scope of transactions and operations denominated in foreign currency, tax bases formed regarding transactions relating to the import or export of goods and original costs of goods shall be determined:
  - in case of operations relating to import of goods from states that are not members of the EAEU or export of goods to states that are not members of the EAEU, as of the date of the customs declaration for the import or export of goods respectively (irrespective of the fact of submitting afterwards the verified customs declaration for the import of goods or the verified customs declaration for the export of goods as prescribed by the EAEU uniform customs legislation with regard to these operations) based on the average market exchange rate announced by the Central Bank of the Republic of Armenia as of that day;
  - in case of operations relating to import of goods from the EAEU member states or export of goods to the EAEU member states, as of the date of the tax declaration for the import of goods or export of goods respectively (irrespective of the fact of submitting afterwards the verified customs declaration for the import of goods or the verified customs declaration for the export of goods with regard to these transactions) based on the average market exchange rate announced by the Central Bank of the Republic of Armenia as of that day;
- In case of transactions involving supply of goods, performance of work or rendering of services concluded between a resident organisation or a resident individual of the Republic of Armenia and a non-resident organisation or a non-resident individual of the Republic of Armenia (except for the permanent establishment record registered in the Republic of Armenia of a non-resident organisation or a non-resident individual) within the territory of the Republic of Armenia, as well as in cases where the obligation for calculating and paying VAT with regard to the transaction involving supply of goods, performance of work or rendering of services carried out by a non-resident organisation having no permanent establishment record-registered in the Republic of Armenia or by a non-resident individual having no permanent establishment record-registered in the Republic of Armenia shall be undertaken — in accordance with Section 4 of the Code — by a resident organisation or a resident individual of the Republic of Armenia or the permanent establishment record-registered in the Republic of Armenia of the nonresident organisation or the non-resident individual who is considered to be a party to the transaction, the formed tax bases and original costs shall be determined as of the date of issuance of the relevant settlement document based on the average market exchange rate announced by the Central Bank of the Republic of Armenia;

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- Tax amount of the taxable income paid by a tax agent shall be calculated as of the date of payment of that income, based on the average market exchange rate announced by the Central Bank of the Republic of Armenia as of that day.

H. PERSONAL TAX

- Resident and non-resident individuals shall be deemed to be income taxpayers;
- Individual entrepreneurs and notaries — as individuals — shall be deemed to be income taxpayers only in respect of their personal income.

The following shall be considered subject to income tax:

- Regarding resident individuals — the gross income derived from sources of and/or outside Armenia, except for entrepreneurial income of individual entrepreneur's record-registered in Armenia and notaries,
- Regarding non-resident individuals — the gross income derived from Armenian sources, except for income attributable to a permanent establishment of non-resident individuals carrying out activities in Armenia through a permanent establishment and/or deriving Armenian-sourced income through a permanent establishment, as well as income derived from foreign economic activity.

The following shall be considered to be the income tax base:

- Regarding resident individuals — taxable income, which is determined as the positive difference between gross income and deducted income;
- Regarding non-resident individuals — taxable income, which is determined as the positive difference between gross income and deducted income prescribed by the Tax Code.

Income tax rates.

- The income tax against the tax base is calculated at a flat rate of 23% starting from 1 January 2020 and will be gradually lowered to 20% as follows:
  - 22 % starting from 1 January 2021,
  - 21% starting from 1 January 2022; and
  - 20% starting from 1 January 2023;
- The income tax on interest shall be calculated at a 10% rate, according to the withholdings prescribed by the Tax Code;
- The income tax on royalties shall be calculated at a 10% rate;
- The income tax on rentals shall be calculated at a 10% rate, whereas in case the total of the rentals received during the tax year exceeds AMD 58.35 million, an additional income tax at a 10% rate shall be calculated on the surplus;
- The income tax on dividends received by foreign nationals and stateless persons shall be calculated at a 5% rate, and the income tax on dividends received by citizens of the Republic of Armenia shall be carried out at a 5% rate;
- The income tax on the total income received from tax agents as a result of the alienation of property shall be calculated at a 10% rate,
- The income tax on income received from the alienation of a building, its apartments or other premises by a constructor shall be calculated at a 20% rate.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

	Dividends		Interest (%)	Royalties (%)
	Individuals, companies (%)	Qualifying companies (%)		
Domestic rates				
Companies	10	10	0/10	10
Individuals	10	N/A	10	10
Treaty countries:				
Austria	15	5	10	5

Belarus	15	10	10	10
Belgium	15	5	10	8
Bulgaria	10	5	5/10	5/10
Canada	15	5	10	10
China	10	5	10	10
Croatia	10	0	10	5
Cyprus	5	0	5	5
Czech Republic	10	10	5/10	5/10
Denmark[1]	5/15	0/5	5/10	5/10
Estonia	15	5	10	10
Finland	15	5	5	5/10
France	15	5	10	5/10
Georgia	10	5	10	5
Germany	10/15	7/15	5	6
Greece	10	10	10	5
Hungary	10	5	5/10	5
India	10	10	10	10
Indonesia	15	10	10	10
Iran	15	10	10	5
Ireland	15	0/5	0/5/10	5
Israel	15	0/5/15	5	5/10
Italy	10	5	10	7
Kazakhstan	10	10	10	10
Kuwait	5	5	5	10
Latvia	15	5	10	10
Lebanon	10	5	8	5
Lithuania	15	5	10	10
Luxembourg	15	5	10	5
Moldova	15	5	10	10
Netherlands	15	0/5	5	5
Poland	10	10	5	10
Qatar	10	5	5	5
Romania	10	5	10	10
Russia	10	5	10	0
Serbia	8	8	8	8
Slovak Republic	10	5	10	5
Slovenia	10	5	10	5
Spain	10	0	5	5/10
Sweden	15	0/5	5	5

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	Dividends		Interest (%)	Royalties (%)
	Individuals, companies (%)	Qualifying companies (%)		
Switzerland	15	5	10	5
Syria	10	10	10	12
Thailand	10	10	–/10	15
Turkmenistan	15	5	10	10
Ukraine	15	5	10	0
United Arab Emirates	3	3	0	5
United Kingdom	10/15	0/5	5	5

Notes:

1. Effective date: 1 January 2020.

AUSTRALIA

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BASIC FACTS

Full name:	Commonwealth of Australia
Capital:	Canberra
Main languages:	English
Population:	25.44 million (2020 estimate)
Monetary unit:	Australian Dollar (AUD)
Internet domain:	.au
Int. dialling code:	+61

KEY TAX POINTS

- Australian resident companies are subject to company income tax on income derived from all sources. Non-resident companies are required to pay income tax only on Australian-sourced income.
- There is no branch profits tax in Australia. However, Australian branches of foreign companies will generally only be taxed on Australian-sourced income at the prevailing company tax rate.
- All entities that carry on an enterprise in Australia are required to register for the goods and services tax (GST) if their annual turnover meets the registration turnover threshold.
- Australia has a CFC regime which is designed to ensure certain types of passive and associated party income of a CFC is included in the controlling Australian resident's taxable income each financial year.
- Where foreign sourced income is included in assessable income, tax credits are available equal to the lesser of the foreign tax paid and the Australian tax payable. Credits are also available to Australian companies for foreign tax paid under the CFC regime on attributed income.
- Wholly-owned groups of Australian companies and trusts can elect to have their income tax liability calculated on a consolidated basis.
- Non-arm's length international profit-shifting arrangements and other international transactions between related parties are governed by transfer pricing rules which give the Commissioner of Taxation the power to calculate the income tax payable based on arms-length prices.
- Withholding tax must be deducted from interest, royalties and dividends (to the extent they are not franked) paid to non-residents.
- Income tax is payable by Australian resident individuals on non-exempt income derived from worldwide sources. Non-resident individuals are only required to pay tax on Australian-sourced income.
- There is no separate capital gains tax, but capital gains are included in taxable income. The tax treatment of capital gains and losses is generally the same for individuals and trustees as for companies, but there are some differences (e.g. Australian resident individuals and trustees, unlike companies, can claim a 50% discount of capital gains on assets held for more than one year). Small business CGT concessions may also reduce capital gains where certain conditions are met.
- There is no net wealth tax, real estate tax or inheritance or gift tax.

A. TAXES PAYABLE

COMPANY TAX

Australian resident companies are subject to company income tax on their income derived from all sources. Non-resident companies are required to pay income tax only on Australian-sourced income. Resident companies are those that are incorporated in Australia or those that carry on business in Australia and either have their central management and control in Australia or their voting power controlled by shareholders who are Australian residents.

The tax year runs from 1 July to 30 June. Companies' financial years usually coincide with the tax year. A taxpayer can choose to have an accounting period different to the tax year if they wish but this will require additional costs of preparing another set of accounts based on the tax year. Alternatively, if a taxpayer has a good reason for having a financial year other than 1 July to 30 June they can apply to the Australian Tax Office to have a substituted accounting period (SAP) and align the tax year with their financial year. The Australian Tax Office will generally accept applications for an SAP where an Australian subsidiary wants

to align its tax year with its foreign parent company's financial year. The company tax rates applied to the company's taxable income are:

- 27.5% for companies with aggregate annual turnover of less than AUD 50 million for the 2019/20 income year); and
- 30% for all other companies.

Note, the reduced rate of company tax does not apply to entities which derive more than 80% of revenue from passive income.

A company is generally required to 'self-assess' its likely tax liability in a financial year and pay tax by quarterly instalments with the final tax liability being reconciled in an annual tax return. 'Likely tax' is the latest estimate of tax payable made by the company in a current financial year. If no estimate is made, 'likely tax' is the tax assessed in the preceding year. Company tax is payable on a quarterly basis (except for companies with a turnover of greater than AUD 20 million which are required to remit instalments monthly). Companies that are not required to report their goods and services tax (GST) on a monthly basis and with income tax payable of less than AUD 8,000 for the most recent income year can elect to pay an annual instalment of tax rather than quarterly instalments. Generally, the annual payment date is 21 October when the income year ends on 30 June.

Monthly or quarterly company tax instalments are payable within 21 days after the end of each month/quarter of the financial year. However, where taxpayers are eligible to pay other quarterly obligations on a deferred basis (namely those entities that are required to pay GST on a quarterly basis); the due date is the 28th day after the end of the quarter (except for the December quarter in which case payment date is 28 February). There are two methods of working out the instalment payment amount as follows:

- Instalment Income Option: the payment amount is the amount of gross assessable income earned for that month or quarter (less capital gains) multiplied by the instalment rate. The instalment rate is advised by the Tax Office and is based on the company tax paid on the most recent tax assessment divided by the company's turnover (less capital gains). This method is available to all taxpayers.
- GDP adjustment notional tax option: the payment income amount is based on the assessable income figure from the most recent tax return multiplied by a GDP factor. The income amount is advised by the Tax Office. This method is available for individual taxpayers or other entities where their most recent assessed taxable income was under AUD 2 million. Certain categories of taxpayers such as farmers, sports people and artists may meet their liability for these four instalments by making two payments per year.

BRANCH PROFITS TAX

There is no branch profits tax in Australia. However, Australian branches of foreign companies will generally only be taxed on Australian-sourced income at the prevailing company tax rate.

GOODS AND SERVICES TAX (GST)

All entities that carry on an enterprise in Australia are required to register for the goods and services tax (GST) if their annual turnover meets the registration turnover threshold of AUD 75,000 or AUD 150,000 for not-for-profit organisations. Once registered, entities are required to charge 10% GST on all goods and services that they supply within Australia, unless the supplies are specifically excluded, such as education, health, child care services and certain types of food.

Registered entities are entitled to claim an 'input tax credit' equal to the amount of GST paid on purchases, provided that those purchases were used for a 'creditable purpose' in carrying on their enterprise. This means that the cost of the GST is effectively borne solely by the end user. However, there are two exceptions to the general rule:

(1) GST-free supplies (zero rated supplies). These supplies are provided by enterprises to their customers free of GST, and the enterprise is also allowed to claim input tax credits on its creditable business acquisitions. Examples include education and health providers and certain types of food.

(2) Input taxed supplies: These supplies are provided by enterprises to their customers free of GST, but the enterprise is not allowed to claim any input tax credits on its creditable business acquisitions, effectively treating the supplier as an end user. Examples include financial services providers and residential accommodation supplies.

The GST collected from customers is remitted to the Federal Government on a quarterly or monthly basis, depending on the size of the entity's annual turnover.

There are new rules regarding the supply of goods and services by non-residents to Australian consumers which should be considered particularly digital services such as software.

FRINGE BENEFITS TAX (FBT)

Fringe benefits tax is a federal tax that is payable by resident and non-resident employers (with sufficient connection with Australia) on certain benefits that are provided to their employees. The tax is levied at a rate of 47% for the FBT year ending 31 March 2020 on the 'grossed-up taxable value' of each benefit that is provided to employees. FBT is separate from income tax.

In calculating the 'grossed-up taxable value' of a fringe benefit, the provider must first determine whether they are entitled to a GST input tax credit on that benefit. If so entitled, the value of the benefit must be 'grossed up' using a rate of 2.0802 for the 2020 FBT year. In all other cases, the value of the benefit is grossed up using a rate of 1.8868.

The grossing up methodology effectively levies tax on the benefit at the rate of tax that an employee on the highest marginal tax rate would pay on the cash salary required for them to pay for the benefit out of after tax salary and taking into account any GST input tax credit the employer can claim on providing the benefit. Employees can make non-tax deductible contributions towards the private use component of a benefit to reduce the taxable value, thereby reducing the FBT payable.

The FBT year runs from 1 April to 31 March. If the prior year's FBT liability is AUD 3,000 or more, it is payable on a quarterly basis on the same payments dates as quarterly company tax (see above). If the total FBT liability is less than AUD 3,000, an annual payment is required. The annual FBT return is due for lodgement by 21 May of each year. Any FBT paid in Australia by an employer is generally deductible for Australian income tax purposes.

SUPERANNUATION CONTRIBUTIONS

Employers are required to make superannuation contributions on behalf of their employees at a rate of 9.5% (from 1 July 2014) of the employee's salary and wages. The rate will remain at 9.5% up until 30 June 2021, this will increase to 10% from 1 July 2021 and will increase gradually until the rate reaches 12% on 1 July 2025. Contributions are required on a quarterly basis.

If insufficient contributions are made, employers are liable for a Superannuation Guarantee Charge. The 'charge' includes the shortfall in the contributions together with an interest component and an administration fee. Employers who have a superannuation guarantee shortfall are required to lodge a Superannuation Guarantee Statement together with the 'charge' on the 28th day of the second month following the end of the quarter.

Superannuation contributions made by employers for their employees are generally income tax deductible and subject to 15% contributions tax payable by the superannuation fund. Where the employee's aggregate taxable income and concessional superannuation contributions exceed AUD 250,000 additional tax of 15% of the excess contributions is payable. Employees can make superannuation contributions on a "salary sacrifice" basis which effectively means these contributions are also tax deductible. There is a cap on the annual deductible aggregate superannuation contributions of AUD 25,000 for employees of all ages applying from 1 July 2017. Where concessional contributions exceed the cap, the excess amount is included in the individual's assessable income and taxed at their marginal tax rate. From 1 July 2018, individuals with superannuation balances of less than AUD 500,000 will have the ability to carry forward unused concessional contributions from up to the five previous financial years, and use the amounts to make additional concessional contributions during a particular financial year.

OTHER TAXES

Other Federal taxes include:

(1) Customs & Excise duties on certain imported items.

(2) The Petroleum Resource Rent Tax (PRRT) regime applies to onshore petroleum projects - including coal seam gas, tight gas and shale oil projects - as well as the offshore North West Shelf project. The PRRT is payable on the taxable profit of a person in relation to a petroleum project. If a person has an entitlement to assessable petroleum receipts from a production licence they will have a petroleum project.

(3) Minerals resource rent tax: this tax was repealed effective September 2014.

(4) Excise on fuel, tobacco and alcohol.

(5) Luxury Car Tax of 33% is payable on the value of certain vehicles that exceed the luxury car threshold of AUD 67,525 for the 2019/2020 year.

(6) Wine Equalisation Tax is a tax of 29% of the whole sale value of wine imported into Australia or sold by wholesale.

LOCAL TAXES

The States and Territories of Australia impose the following taxes:

(1) Stamp Duty: payable on specified transactions, including certain transfers of property.

(2) Payroll tax. payable by employers who have total payrolls exceeding specified thresholds which vary from State to State. Payroll tax rates between each State and Territory varies from 4.75% - 6.85%.

(3) Land and property taxes.

(4) Workcare / workers compensation levies or premiums.

(5) Insurance Duty: payable on certain insurance premiums.

B. DETERMINATION OF TAXABLE INCOME

Taxable income equals assessable income less allowable deductions. Assessable income includes ordinary income under common law and statutory income but does not include specifically exempt or non-assessable income. Generally, to be deductible, losses and outgoings must relate to the gaining or producing of assessable income. Some items are specifically non-deductible, such as penalties and fines. Capital expenses are generally non-deductible but may be deducted over time as a capital allowance or included in the capital gains tax (CGT) cost base. Expenses incurred in producing exempt income are also non-deductible. It is possible to claim a portion of expense items that have dual purposes. Special rules apply in respect of the categories listed below.

CAPITAL ALLOWANCES

Plant, equipment and other depreciable items are generally written off over their effective life. There are alternative rules for small business taxpayers with average turnover less than AUD 10 million. Taxpayers may self-determine the effective life of plant to calculate the tax depreciation rate or instead may rely on tax rates published by the Commissioner of Taxation. Either the straight-line or diminishing-value methods of depreciation can be used for each item of plant and is determined as follows.

(1) Straight-line method: 100% divided by the Asset's effective life.

(2) Diminishing-value method: 200% divided by the Asset's effective life.

Motor vehicles are subject to an indexed depreciation cost limit. The limit for the 2019/2020 financial year is AUD 57,581. A small business can pool depreciable assets in a general small business pool to be written off at one rate. The deduction for an asset acquired during an income year and allocated to the general small business pool is 15% of the taxable purpose proportion of its adjustable value. The general small business pool is written off at 30% per income year thereafter.

Effective from 12 May 2015 until 30 June 2020 small business taxpayers can claim an immediate write-off of eligible assets costing less than AUD 30,000. This temporary upfront write-off will revert to the AUD 1,000 threshold for assets acquired after 30 June 2020. Most business-related capital expenses that are not otherwise deductible, included in the cost of depreciable assets or included in the CGT cost base of an asset, are deductible over five years.

STOCK / INVENTORY

All trading stock on hand at the beginning of the year of income and all trading stock on hand at the end of that income year must be taken into account in determining taxable income.

Each item of inventory must be valued at the end of each financial year at:

- Cost price valued at full absorption cost,
- Market selling value (the current selling value in the taxpayer's trading market); or,
- Replacement cost.

The closing value adopted becomes the opening value at the beginning of the following income year. Acceptable valuation methods include FIFO, average cost, standard costing and retail inventory method. Non-acceptable valuation methods include LIFO and the base stock method. Certain small business taxpayers

who have an annual turnover of less than AUD 10 million are only required to make such valuations where the value of their stock changed by more than AUD 5,000.

CAPITAL GAINS AND LOSSES

Net capital gains are generally included in the determination of assessable income. Capital losses cannot be deducted from assessable income, and can only be offset against capital gains. Capital losses can be carried forward indefinitely to offset against future capital gains. Net capital gains are determined by deducting the cost base of an asset from the proceeds received on disposal of that asset. The purchase price of an asset purchased prior to 21 September 1999 can be adjusted for inflation indexation to the quarter ending 30 September 1999. Indexation is not available for assets purchased after 21 September 1999. In lieu of indexation, individuals and trustees may be eligible for a 50% reduction in their assessable capital gain if certain conditions are met. Complying superannuation funds are eligible for a 33.33% discount. This reduction is not available for companies.

Small business taxpayers which meet the eligibility conditions may access the Small business CGT concessions which contain CGT exemptions and reduction concessions, which may allow the taxpayer to disregard or defer some or all of a capital gain arising from an active asset utilised in a small business. Other exemptions from capital gains tax may also be available, such as the main residence exemption, gains from foreign branches or small business exemptions for businesses that satisfy certain criteria. Foreign residents are exempt from Australian CGT except on Australian real property, business assets used in an Australian permanent establishment (PE); or equity interests in Australian or foreign companies or trusts with substantial interests in Australian real property either directly or indirectly through interposed entities. Australian real property includes Australian land and mining, quarrying and prospecting rights over Australian land.

The 50% CGT discount for non-residents was removed on capital gains accrued after 8 May 2012 on Taxable Australian Property such as real estate and mining assets. However, non-residents will still be entitled to the 50% discount on capital gains accrued prior to this date (after offsetting any capital losses) provided they obtain a market valuation of assets as at 8 May 2012. Please also note that non-residents are no longer entitled to the main residence exemption.

DIVIDENDS

In general, dividends received by resident shareholders from resident companies are taxable but grossed up for any franking credits attached. The franking credits are equivalent to the tax paid by the company on its profits out of which the dividend was paid. However, resident shareholders are allowed a tax offset of tax equal to the amount of any franking credits on the dividend. Dividends received from non-resident companies do not qualify for this tax offset, but may be entitled to a foreign tax credit (see foreign tax relief below). Alternatively, the dividend may be tax-exempt if the recipient is an Australian company that has a 10% or greater interest in the foreign company.

Dividends paid by non-resident companies in certain foreign countries are also exempt to the extent that they represent profits already taxed in Australia under Australia's Controlled Foreign Corporation (CFC) rules. Dividends paid by resident companies to non-resident shareholders are not subject to income tax but may be subject to withholding tax to the extent that the dividends are not franked (i.e. have been paid out of Australian-taxed profits). Payments of dividends are not generally tax deductible.

INTEREST DEDUCTIONS

Interest is generally deductible to the extent it relates to funds borrowed for income-producing purposes. Interest deductions may be restricted by the thin capitalisation provisions. The thin capitalisation rules seek to deny deductions for interest payments if the taxpayer's debt exceeds 60% of the value of its assets. The interest attributable to this excess is denied deductibility. An exception to this rule is where the taxpayer can satisfy an 'arm's length test', which focuses on the taxpayer's likely borrowings if it had acted at arm's length and what independent lenders would lend to the taxpayer on arm's length terms. Taxpayers can also access a 'worldwide gearing test' which broadly allows a proportion of debt levels in Australia which matches that of the worldwide group.

The thin capitalisation provisions apply to foreign controlled Australian entities and the inward investments of foreign nationals and Australian-based entities with foreign investments. A de minimis rule ensures that all corporate entities and their associates (regardless of their nature or business) that claim no more than AUD 2 million for the financial year in debt deductions per income year will not be subject to the thin capitalisation rules.

A

MANAGED INVESTMENTS

There are complex rules relating to Managed Investment Trusts (MIT) that can reduce the withholding rates applicable to payments made to foreign residents. These rules should be carefully considered if applicable as they are complex.

LOSSES

A tax loss is the excess of allowable deductions over assessable income (not including exempt income) and can be carried forward indefinitely to offset against future taxable income. For companies and trusts the deductibility of losses is restricted by a 'continuity of ownership' test (more than 50% of voting, dividend and capital rights). Alternatively, the loss is deductible if the company passes a 'same business' or 'similar business' test.

FOREIGN SOURCED INCOME

(i) Controlled Foreign Corporations (CFCs). Australia has a CFC regime which is designed to ensure certain types of passive and associated party income of a CFC is included in the controlling Australian resident's taxable income each financial year. In general, a foreign company will be regarded as a CFC where:

- Five or fewer Australian residents hold an associate inclusive 50% interest in the foreign corporation or have de facto control of the foreign entity,
- An Australian entity (and its associates) has 40% or greater control in the foreign corporation, unless they can prove that their interest is not a controlling interest; or,
- Irrespective of the interests in a foreign company, a group of five or fewer Australian entities (either alone or together with associates) has actual control of the company.

CFCs in seven listed countries (USA, UK, France, Germany, Japan, Canada and New Zealand) are largely exempted from the CFC rules. There are several exemptions to the CFC rules including an active business exemption. The Government is currently reviewing the CFC provisions with a view to simplifying the rules.

(ii) Most foreign branch profits and capital gains of a resident company are generally not taxed when the income or gain is derived in carrying on a business through a permanent establishment in the following listed countries. UK, US, Canada, France, Germany, Japan and New Zealand. Losses from branches in the countries listed above cannot be claimed. Foreign branches of resident companies in other countries (unlisted countries) are generally not subject to tax on profits or gains where the income is from an 'active business' and for capital gains where the company used the asset wholly or mainly in an active business. Associated losses are also not deductible against the Australian source income of the entity.

CONDUIT FOREIGN INCOME

The conduit foreign income rules allow foreign income and certain foreign capital gains to flow through Australian companies and other interposed entities to foreign residents without being taxed in Australia.

ANTI-HYBRID RULES

Australia has recently introduced hybrid mismatch rules, applicable to income years commencing on or after 1 January 2019. These rules are intended to prevent Australian taxable entities from being able to avoid income tax, or obtain a double non-taxation benefit, by exploiting differences between the tax treatment of entities and instruments across different countries.

These rules are complex and far-reaching. As well as targeting actual hybrid mismatch arrangements (i.e. when there is a difference in international tax treatment between instruments or entities that leads to effective double deductions or deductions without income inclusion) the rules also apply to financing arrangements such as ordinary loans from foreign related parties where the lender is taxed at 10% or less.

These rules do not contain a de minimis threshold nor a grandfathering exclusion. Importantly, they do not require a tax avoidance motive to be applicable. There are, however, a number of carve-outs to consider.

The hybrid mismatch rules target payments which give rise to:

a) a tax deduction in two or more countries (deduction/deduction (DD) outcome),

b) a tax deduction in one country and no assessable income in any other country (deduction/non-inclusion (DNI) outcome);

c) interest payments made to foreign related parties where the lender is taxed at 10% or less (in some circumstances), or

d) certain distributions which give rise to a tax deduction in a foreign country.

These rules can apply where there is a direct Australian group member participant but also if there is no direct Australian participant but the arrangement can be traced under the rules to the Australian entity.

The effect of the hybrid rules is to deny an Australian tax deduction or increasing Australian assessable income.

INCENTIVES

Specific write-offs are provided for the mining and primary production industries. Special taxation treatment is also afforded to investment in innovative Australian companies through a 'venture capital tax concession'. The Research & Development (R&D) tax incentive provides a tax offset for eligible R & D activities targeting R&D activities that benefit Australia. The two core components of the incentive include.

- Refundable tax offset for certain eligible entities whose aggregated turnover is less than AUD 20 million;
- A non- refundable tax offset for all other eligible entities.

OTHER

(i) Debt Forgiveness. Where a commercial debt is forgiven, special provisions operate in some circumstances to effectively tax the borrower on the benefit received as a result of the forgiveness of the debt. The 'net forgiven amount' is not included directly in the borrower's assessable income but is applied against the borrower's tax attributes in the following order.

(1) Reduction of revenue losses.

(2) Reduction of net capital losses.

(3) Reduction of deductions for particular expenditure.

(4) Reduction of the cost base of certain assets.

(ii) Debt/Equity Rules: The debt equity rules determine the nature of an instrument for taxation purposes. Broadly speaking, the rules are based on the substance of the arrangement rather than its legal form. The rules determine whether a return on a debt or equity interest in an entity may be frankable and non-deductible (like a dividend) or may be deductible to the entity and not frankable (like interest).

(iii) Taxation of Foreign Exchange (forex) Gains or Loss: Special rules tax forex gains and allow tax deductions for forex losses. The rules apply to transactions where there is a disposal of foreign currency or a disposal of a right to foreign currency, a ceasing of a right or obligation to receive foreign currency, or a ceasing of a right or obligation to pay foreign currency. These provisions will not apply where the taxpayer has made certain elections.

(iv) Taxation of Financial Arrangements (TOFA). Broadly, the TOFA regime defines what constitutes a financial arrangement and provides a framework for calculating gains and losses on financial arrangements through default and elective tax timing methods. In broad terms, it is directed to entities that have.

- Aggregated turnover of greater than AUD 100 million, or,
- Assets of greater than AUD 300 million

However, certain exceptions apply.

C. FOREIGN TAX RELIEF

Where foreign sourced income is included in a taxpayer's assessable income, foreign income tax offsets are available at the lesser of the foreign tax paid or the Australian tax payable. Any withholding tax paid on an assessable dividend from a foreign company will generally be allowed as a foreign income tax offset.

D. CONSOLIDATED CORPORATE GROUPS

Wholly-owned groups of Australian companies and trusts can elect to have their income tax liability calculated on a consolidated basis. This means that the entire group is treated, and taxed, as a single corporate taxpayer. Where the parent of Australian subsidiary entities is a foreign entity, the consolidation regime allows for the Australian subsidiary entities to be grouped under the consolidation regime where certain conditions are met.

E. RELATED PARTY TRANSACTIONS

Non-arm's length international profit-shifting arrangements and other international transactions between

related parties are governed by transfer pricing rules which give the Commissioner of Taxation the power to calculate the income tax payable based on arm's length prices.

Documentation requirements and arm's length conditions aim to better align Australian requirements with OECD Guidance material. Contemporaneous documentation should be prepared prior to lodgement of the entity's income tax return and records should be made readily available to avoid failing to demonstrate a reasonably arguable position in the event of a transfer pricing adjustment.

The Australian Government has adopted a number of the recommendations of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Action Plan. Australia is currently one of 49 countries that will facilitate the exchange of Country by Country reports between tax authorities in different jurisdictions to better assess transfer pricing risks. The measure takes effect from income years commencing on, or after, 1 January 2016. It requires multinational entities with an annual global income of AUD 1 billion or more to provide the ATO with reporting statements within 12 months after the end of their income tax year.

It is also necessary for all Australian entities who are part of a consolidated accounting group where revenue exceeds AUD 1 billion to annually lodge a Master File and Local File with the ATO. It is also necessary to lodge a Country-by-Country report or notify the ATI if a group entity has lodged this overseas.

F. WITHHOLDING TAXES

Withholding tax must be deducted from interest, royalties and dividends (to the extent they are not franked) paid to non-residents. Liability for the remittance of withholding taxes rests with the payer of such amounts. Withholding tax is collected through the PAYG system and is determined according to the payer's PAYG withholding status. The payer is also required to lodge an annual report with the Commissioner of Taxation where such amounts have been withheld during the financial year. The relevant withholding tax rates are:

Type of income	Rate
1. Dividends - franked	0%
2. Dividends – unfranked[1]	0 - 15% (treaty countries); 30% (non-treaty countries)
3. Interest	10% (NIL for financial institutions under certain treaties)
4. Royalties	5% - 15% (treaty countries); 30% (non-treaty countries)

Note:

1. Australia does not impose withholding tax on dividends to the extent they are franked. To the extent dividends are unfranked, i.e. when paid out of profits of a company that have not borne Australian tax, the rate can be as low as 0% or 5%, if the beneficial owner of the dividends is a company that holds at least 80% or 10%, respectively, of the voting power in the payer. In all other cases, the rate is generally 15%.

G. EXCHANGE CONTROL

Where more than AUD 10,000 of Australian currency is physically taken out of Australia, the departing individual must report this to an Australian Customs Officer, or to the Australian Transaction Reports and Analysis Centre, (AUSTRAC). Equivalent amounts of foreign currency that are brought into Australia must also be reported.

H. PERSONAL TAX

Income tax is payable by Australian resident individuals on non-exempt income derived from worldwide sources. Non-resident individuals are only required to pay tax on Australian-sourced income. Residency is generally determined by reference to common law principles of residence. However, an individual can also be deemed an Australian resident if the individual's domicile is in Australia (unless they have a permanent place of abode outside Australia) or where the individual has spent more than one half of the relevant year of income in Australia (unless their usual place of abode is outside Australia and they do not intend to take up residence in Australia).

Individuals that become residents for a short time may be eligible for the temporary resident tax exemptions on their foreign income and capital gains. If they are holders of a temporary resident visa (generally for up to four years but may be longer), they will not be taxed on foreign-sourced income unless the income relates to employment or services rendered while they are a resident of Australia. In addition, temporary residents are not taxed on capital gains except for gains on 'Taxable Australian Property' (see capital gains section above). Income tax is payable on taxable income, which is the 'excess' of assessable income less allowable deductions.