Indirect tax in 2015

A review of global indirect tax developments and issues

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Our thoughts on

indirect taxation in 2015

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Welcome to *Indirect tax in 2015*, our latest annual roundup of developments in value-added tax (VAT), goods and services tax (GST), consumption taxes, excise duties, customs duties and other indirect taxes around the world.

The changes presented, covering more than 100 jurisdictions, have either been introduced in recent months or are expected in 2015 and beyond. Four summary maps are also included to provide a "snapshot" of where the changes are taking place.

We produce *Indirect Tax in 2015* because our clients tell us that it is a valuable resource. We know that if you manage indirect taxes, one of the biggest challenges you face is how to keep pace with the vast number of legislative changes that happen every year. We hope that the detailed changes in this annual guide can help you to pinpoint which ones are most relevant for your business and where you may need to take action. Further, by bringing these developments together, and by identifying key policy trends, we hope to help you consider how these indirect tax changes may have an impact on your overall tax position and business strategy.

As in previous years, our lead article examines the key indirect tax trends that we are seeing around the world and their implications for global businesses. We see the continued spread of VAT and GST systems, increasing rates for VAT/GST and excise duties (although the raises in VAT/GST rates are not as steep as in previous years), the introduction of new indirect taxes (such as on health-related products), the continued introduction of new free trade agreements and customs cooperation agreements as well as the adoption of many trade restricting measures.

We also consider the significant impact that changes in the world of business and developments in technology are having on indirect tax policies. New rules regarding the taxation of the digital economy have been introduced or are expected in many jurisdictions, including Albania, the European Union, Japan, South Africa, South Korea and the United States. Developments in technology are also changing how tax authorities conduct their business — e-audits are becoming the norm, and many jurisdictions are making e-invoicing and e-filing mandatory for businesses.

Many of these trends have been emerging for several years, but the sheer number of changes associated with them means that keeping abreast of new legislation, regulations and opportunities continues to challenge the finance, tax and trade functions of businesses of all sizes and operating in all sectors.

Indirect tax in 2015 provides a high-level overview of significant developments in indirect taxation around the globe, but it is not an exhaustive review. Indirect taxation changes rapidly, so please be aware that there may be other changes not listed in this publication that may have an impact on your business. Detailed information about developments in indirect taxes may be found at ey.com, particularly via our global tax alerts library (www.ey.com/taxalerts) and through our regularly updated eVA information service; in *The Worldwide VAT, GST and Sales Tax Guide*; and in our regular magazine, *Indirect Tax Briefing*.

If you would like to discuss developments in indirect tax, or if you would like access to our eVA service or copies of our publications, please contact one of the EY Indirect Tax leaders listed in this report, or your usual EY Indirect Tax contact.

Best regards,

Gijsbert Bulk

Global Indirect Tax


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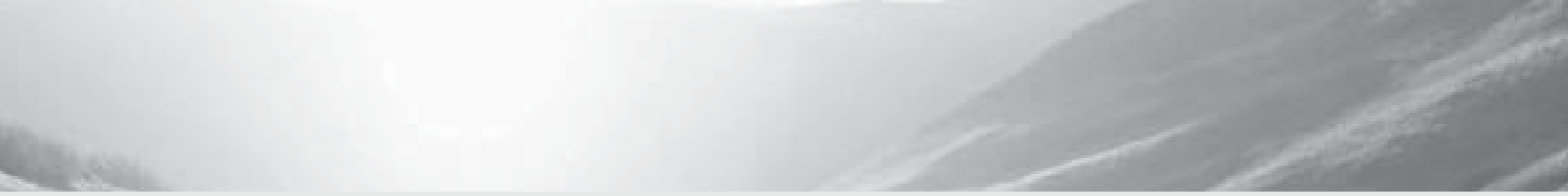

Indirect tax developments in 2015 and beyond

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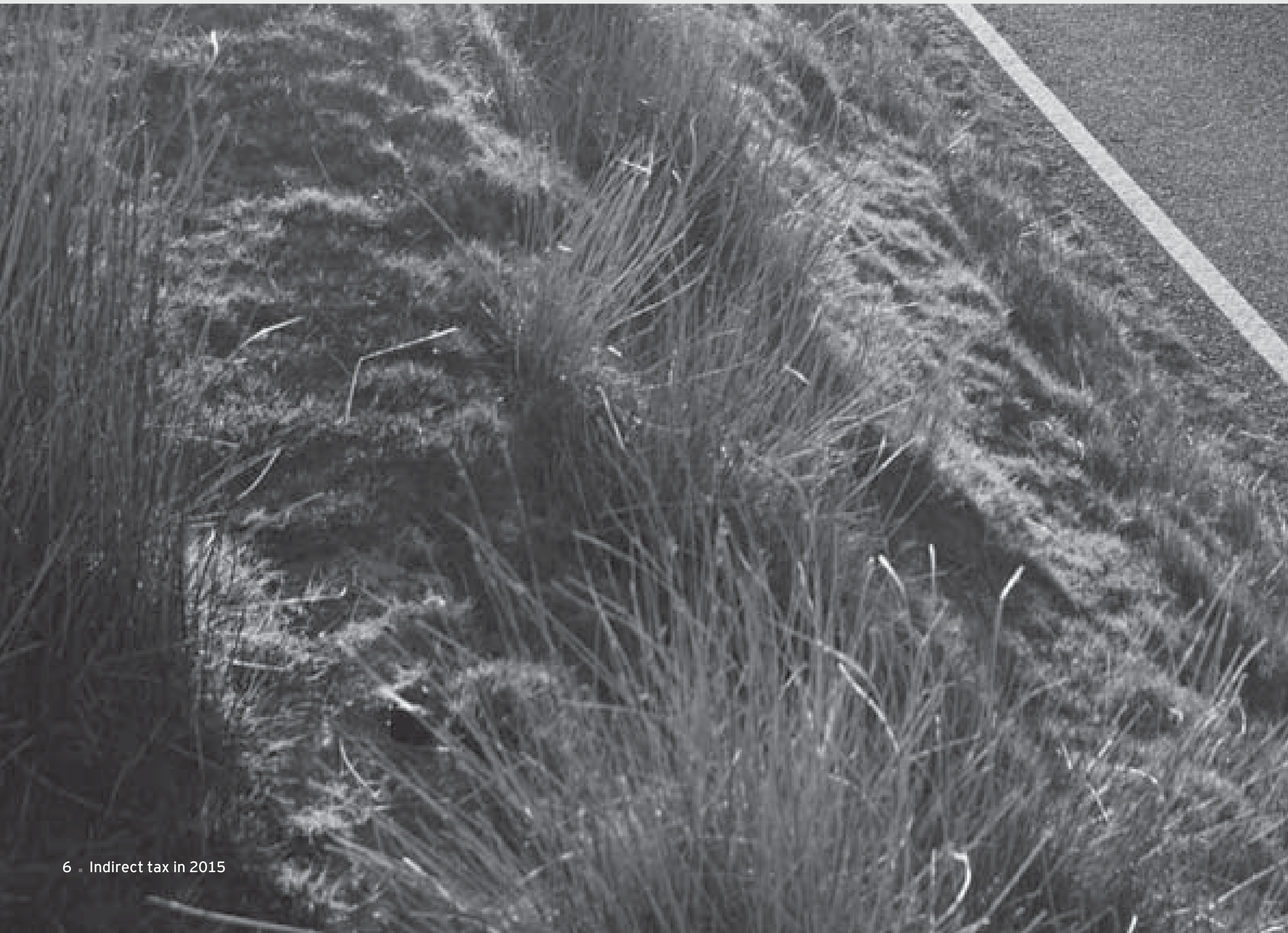
The indirect tax world is in constant motion. What was true yesterday or even today may prove to be wrong tomorrow. Ignoring recent developments in indirect taxes or not being compliant with indirect tax obligations has definitely become an expensive oversight for companies of all sizes, whether they are active in the local market or on a global level.

This article discusses the latest trends and developments in indirect tax around the world and what business leaders should watch out for in 2015 and beyond.



Four trends that shape the global indirect tax landscape:

01

Indirect taxes continue to grow while direct taxes stagnate:

VAT/GST systems are spreading, VAT/GST rates are rising and excise taxes are increasing on an almost global scale.

02

Indirect taxes are adapting to new economic realities:

E-commerce and virtual currencies are on the radar of an increasing number of governments, and they are adapting their tax systems to capture these transactions.

03

The global trade landscape is changing fast:

Global trade continues to grow but still faces trade restrictive measures in many regions of the world.

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Tax authorities are focusing on enforcement of indirect taxes:

New tools and rules are simplifying tax authorities' access to taxpayer data and increasing the frequency, efficiency and effectiveness of tax audits.

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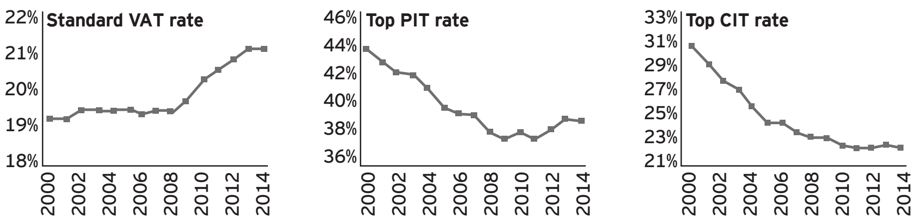
Indirect taxes continue to grow while direct taxes stagnate

In the aftermath of the financial crisis, governments in many countries still have a strong need for cash. Whether the need is to finance targeted stimulation programs for the economy, or whether it is to generally make up for the gaps left behind by a shrinking economy, indirect taxes have proven to be the first choice for generating revenue for a number of years. And they continue to be.

This trend can be explained with the large number of prominent advocates who all promote the shift from direct to indirect taxes, such as the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the European Commission. A number of international studies have indicated that value-added taxes (VAT) have the least impact on growth, while corporate income taxes have a negative impact on growth.[1]

An equally strong reason for this ongoing development is that international tax competition and the weakened economy simply do not allow for ever-increasing corporate or personal income taxes. Indirect taxes, which by their definition are borne by the consumer and do not rely on profits, are much less affected by these changes. In this context, the results of a recent research paper on the tax situation of the 28 European Union Member States[2] are striking: they increased their VAT rates at the same pace as they reduced their corporate and personal income tax rates (see Figure 1).

Figure 1. Evolution of standard VAT rates and of the top personal income tax (PIT) and corporate income tax (CIT) rates in the EU-28 (simple arithmetic average)[3]



Source: European Commission. 2014

1. "Taking stock of reform action and identifying priorities in 2013" chapter as part of *Economic Policy Reforms 2013: Going for Growth* (OECD Publishing, 2013).

2. Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.

3. "A wind of change? Reforms of Tax Systems since the launch of Europe 2020, "European Commission tax paper number 49, http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_49.pdf, p. 6, 9 February 2015.

In practice, we can see three main ways that indirect taxes are used to generate more revenue:

1. VAT/GST systems are spreading.

According to the OECD's "Consumption Tax Trends 2014," 164 countries in the world levied a VAT as of 1 January 2014: 46 in Africa, 1 in North America, 18 in Central America and the Caribbean, 12 in South America, 28 in Asia, 51 in Europe, and 8 in Oceania. As a result, only a minority of countries now apply retail sales taxes, i.e., single-stage taxes on goods and services supplied by final consumers.

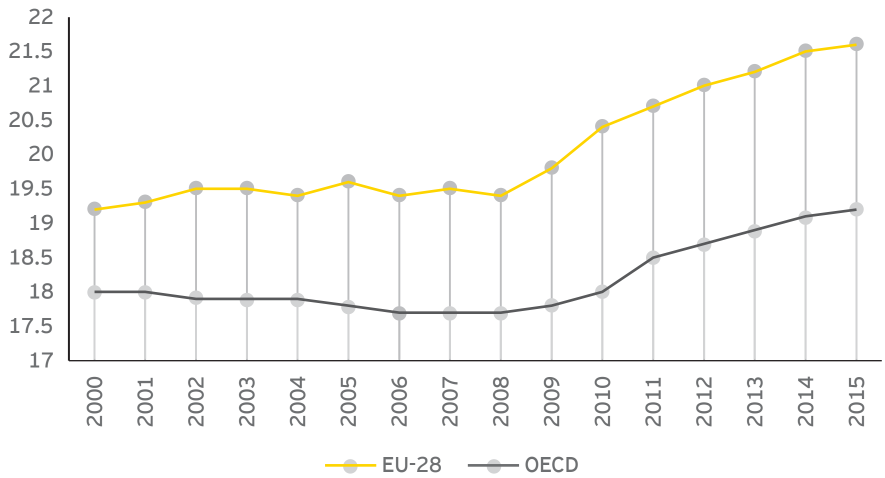
Furthermore, the number of "VAT countries" continues to grow, especially in emerging economies. Effective 1 January 2015, VAT was introduced in the Bahamas. Effective 1 April 2015, a GST will be implemented in Malaysia to replace the existing sales and services tax. Egypt is introducing a VAT law that will replace the existing general sales tax system. Suriname is also expected to replace the current Turnover Tax with a VAT system from 1 January 2016. Last year, the Government of Puerto Rico commissioned a task force to develop a tax reform package that would increase general fund revenue, simplify overall compliance and promote economic growth. Among the reforms discussed in the tax reform package was the implementation of a VAT system. Perhaps most significantly, India may also soon join the "VAT club." The Indian Government has been working on replacing the current indirect tax regime with a comprehensive GST, with a current proposed date for introduction of 1 April 2016. If GST implementation goes ahead, this will be a significant development given the size of the Indian economy.

2. VAT/GST rates are rising.

In countries where a VAT/GST already exists, average VAT/GST rates have increased in recent years, and those increases seem set to continue. This upward rate trend is particularly true for Europe and the OECD countries, where the average standard VAT rate has now reached 21.6% (EU Member States) and 19.2% (OECD Member Countries) compared with 19.5% and 17.5% average rates, respectively, before the crisis in 2008.

Compared to previous years, the rates in Europe have been surprisingly stable at the start of 2015, although they remain high. Iceland even reduced its standard rate from 25.5% to 24% (while increasing the reduced rate from 7% to 11%). However, there have been some increases. Luxembourg raised its standard rate from 15% to 17%, which is also the reason why the average EU standard rate is still increasing. And new rate increases are likely on the horizon: Italy is considering a rise, and Portugal may also follow suit.

Figure 2. Average standard VAT rate in the 28 EU Member States and the OECD Member Countries[4]



4. Situation is shown on 1 January of each year. The accession of new Member States to the EU also has an impact on the development of the graph.

For the OECD countries, the main reason for the increased average is because of the consumption tax rate increase in Japan from 5% to 8% in April 2014. Again, this trend is likely to continue, with the already scheduled next increase in Japan due in 2017. Other than Europe and the OECD countries, the VAT rate development is more stable. In contrast to Europe, Angola, Peru and Sri Lanka all lowered their standard rates.

3. Excise taxes are increasing.

A truly global trend that leads to higher indirect tax revenue is the increase of excise taxes. Excise taxes on tobacco have increased or will soon increase in many countries, including Denmark, Ecuador, Finland, Ghana, Ireland, Malta, the Netherlands, Norway, Russia, Slovenia, Sweden and Tanzania. Excise taxes on alcohol have increased in Lithuania, Norway and Tanzania, for example. And mineral oil excise taxes have been increased in China, Estonia, Finland, Gambia, Hungary, Norway and Russia. For the full list of changes, please refer to the detailed "Excise and other indirect taxes" section.

Not only are the rates increasing, but governments are being creative in inventing new taxes. For example, a relatively new trend is the introduction of excise taxes on health-related products (other than alcoholic beverages and tobacco products), such as snack taxes and sugar taxes on "unhealthy" food. In many countries, these taxes may be linked to spending on health and welfare, and they may become more widespread as populations age and the pressures on government spending in these areas increases.

In addition, there are still attempts to increase the tax burden on financial transactions, although there is no common global approach to achieving this. Some countries have increased the supervision of the banking industry and tightened regulations. In Europe, the preferred approach has been to levy taxes on financial transactions. France introduced a financial transactions tax in August 2012, and on 1 January 2013, Hungary introduced a tax of 0.1% of the amount concerned in the course of any payment service. Italy followed with a tax on the transfer of shares and derivatives and high-frequency trading in March 2013. However, the plan of 11 EU countries to introduce a common transaction tax on the exchange of shares and bonds and on derivative contracts (FTT) is further delayed. The 11 participating Member States have now agreed to launch the tax on 1 January 2016.

Indirect taxes are adapting to new economic realities

One of the peculiarities of indirect taxes is that they are very strongly intertwined with the economy. Their tax object usually is an economic transaction, such as the sale of a good or the provision of a service. If the nature of these transactions or the way that such transactions are handled change, this immediately has a strong impact on indirect taxation.

The challenge of e-commerce

A striking example of such a change that has disrupted indirect taxes is the boom of e-commerce. E-commerce may be defined as trading in products or services using computer networks, such as the internet. In the mid-1990s, the internet became widely available. The world started to be only "one click" away. This change had a huge influence on the behavior of consumers as it became possible to buy a wide range of goods online without going to a store. It further enabled consumers to purchase services from abroad without paying VAT that would have been levied on the same service purchased locally.

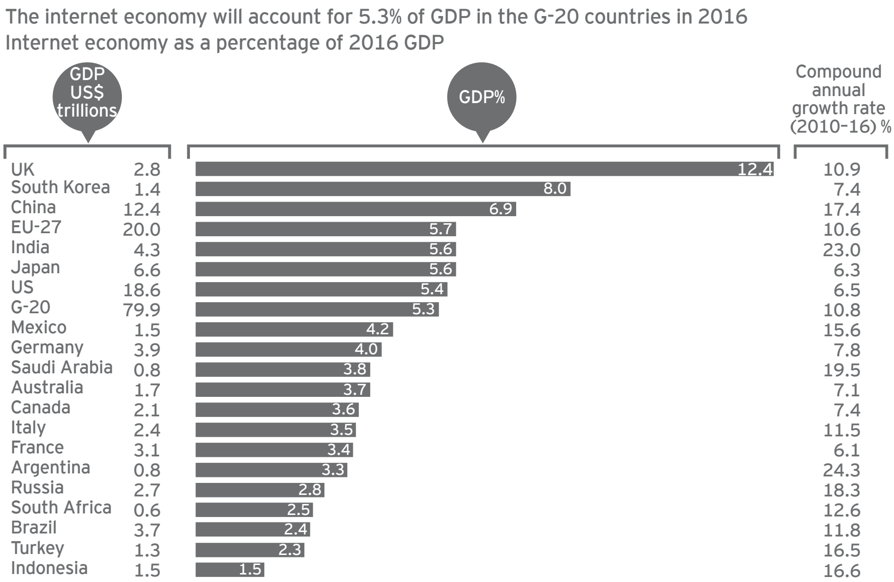
Over the last few years, e-commerce has been the fastest-growing sector in many countries. It is expected that the internet economy will account for 5.3% of GDP in the G-20[5] countries in 2016 (see Figure 3).

Such an important development implies big changes: it can lead to a distortion of competition between local vendors and foreign vendors, and it can have a significant impact on VAT revenues, particularly in relation to scenarios involving sales to final consumers (B2C transactions).

The international community reacted quickly to this new reality, and already in 1998, the OECD Member States agreed on the Ottawa principles on the taxation of e-commerce:

- Rules for the consumption taxation of cross-border trade should result in taxation in the jurisdiction where consumption takes place.
- An international consensus should be found on which supplies are held to be consumed in a jurisdiction.
- For the purpose of consumption taxes, the supply of digitized products should not be treated as a supply of goods.
- Where a business acquires services and intangible property from suppliers outside the country, countries should examine the use of reverse charge, self-assessment or other equivalent mechanisms.
- Countries should develop appropriate systems to collect tax on the importation of physical goods, and such systems should not impede revenue collection and the efficient delivery of products to consumers.

Figure 3. Rapid development of the internet economy[6]



However, the taxation of electronic services remained a patchwork in most countries. In recent years, governments around the world have become active in implementing new rules, realizing that incomplete legislation causes significant losses in revenue.

Recent examples of how the digital economy is influencing VAT law include changes in the EU that introduced new rules on as of 1 January 2015 for the place of supply of B2C electronic services. These services are now subject to tax where the customer is established or resident (instead of where the supplier is established), which requires foreign service providers to register and pay VAT in the EU Member State of the consumer. But it is not just in the EU that the changes are being felt; similar rules have been or will shortly be introduced in

5. Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the European Union.

6. "The Internet Economy in the G-20: The $4.2 Trillion Growth Opportunity," The Boston Consulting Group, P8 www.bcg.com/documents/file100409.pdf, p.8, 9 February 2015.

Albania, Angola, Japan, South Africa and South Korea.

The United States faces specific challenges in this regard. US states apply their own consumption taxes, most of which are single-stage taxes on the sale of goods. In order to keep up with the rapid development of the internet economy, a number of states and the federal government successfully enacted legislation that requires "remote sellers" (e.g., vendors who sell taxable goods to customers in other states) to collect and remit tax on multistate sales. Even more recent is the trend to apply sales and use taxes to transactions involving non-tangible goods (e.g., remote access and electronically delivered software, digital music and books). Equally, the treatment of specified IT service transactions, including data processing, "cloud computing" and "information services," continue to face scrutiny from state lawmakers. And a number of states have announced that they are considering expanding their sales and use tax laws to cover a wide range of service transactions. Most notably, lawmakers in California, in late 2014, announced that they would seek to tax nearly all service transactions within the state (except health care and education-related services) to offset a proposed decrease in the personal income tax rate. It remains to be seen if such measures will succeed.

Virtual currency

Another interesting development in the digital age is the use of virtual currencies such as bitcoin. Although it is clear that the use of these currencies to conclude transactions triggers many VAT/GST questions, only very few tax authorities have clear views on how they should be treated. The Australia, Singapore and United Kingdom tax authorities have issued guidelines on the VAT treatment of bitcoins and other crypto-currencies.

According to current guidelines, in Australia, bitcoin transactions are treated like barter transactions with similar taxation consequences. From a GST perspective, businesses need to charge GST when they supply bitcoins, and they may be subject to GST when receiving bitcoins in return for goods and services. In the UK, income received from bitcoin mining activities is generally treated as outside the scope of VAT as the activity does not constitute an economic activity for VAT purposes. Income received by bitcoin miners for other activities will generally be exempt from VAT, as are charges over the value of the bitcoin for arranging transactions. In Singapore, virtual currencies are treated as a supply of services for GST purposes, which do not qualify for GST exemption.

It appears that the positions being adopted by these different countries are not consistent, and that pattern may be expected to continue. Some countries have banned bitcoins outright (e.g., Russia and Vietnam). Furthermore, other country tax authorities are currently assessing the tax treatment, and additional country-specific guidance is expected going forward (from both an indirect and direct tax perspective). This lack of global consistency may lead to a number of challenges for businesses operating in this market.

The global trade landscape is changing fast

While everyone agrees on the importance of free trade to boost the global economy, the reality shows a different picture. According to data of the World Trade Organization (WTO)[7] the G-20 countries adopted 1,244 trade restricting measures since October 2008, but only 282 have been removed in the same period. During the most recent observation period from mid-May to mid-October 2014, 93 new measures have been adopted that affect around 0.8% of the value of G-20 merchandise imports and 0.6% of the value of world merchandise imports. Consequently, while governments are counting on exports for growth, they are at the same time restricting imports. This requires businesses to plan very carefully.

On the positive side, it should be mentioned that countries are negotiating measures to facilitate trade. G-20 economies applied 79 trade-liberalizing measures between May and October 2014. In terms of trade coverage, import-liberalizing measures account for 2.6% of the value of G-20 merchandise imports and 2% of the value of world merchandise imports. This amounts to close to US$370 billion — almost three times the trade value of the new trade-restrictive measures. In late 2014, the US and India resolved an important impasse over the implementation of the WTO Trade Facilitation Agreement (TFA) reached in Bali in December 2013, paving the way for full implementation of the TFA, which will enter into force once two-thirds of members have completed their domestic ratification process. The OECD Trade Facilitation Indicators estimate that comprehensive implementation of all measures contained in the agreement would reduce total trade costs by 10% in advanced economies and by 13% to 15.5% in developing countries.[8]

In addition, the number of free trade agreements (FTAs) that are negotiated and signed steadily increases. The WTO currently reports 604 active and pending reciprocal regional trade agreements among its members. This number does not include unilateral preference programs, i.e., trade preferences granted to products imported from identified countries without reciprocal benefit, such as the Generalized System of Preferences (GSP) in the EU and the US, which provides duty-free treatment to many products from developing nations. Just a few examples of important recently signed or effective agreements are the FTA between South Korea and Australia (entered into force December 2014), between Canada and South Korea (effective January 2015) or the rules of the Gulf Cooperation Council (GCC) Customs Union (effective January 2015). Negotiations are progressing on two very significant FTAs, the Trans-Pacific Partnership (a 12-country agreement) and the Transatlantic Trade and Investment Partnership (between the EU and the US). The Trans-Pacific Partnership could well be concluded this year.

7. "World Trade Organization, Report on G-20 trade measures (mid-May 2014 to mid-October 2014)," WTO, www.wto.org/english/news_e/news14_e/g20_wto_report_oct14_e.pdf, 9 February 2015.

8. "Calculating the potential impact of the WTO Trade Facilitation Agreement on trade costs," OECD, www.oecd.org/tad/facilitation/OECD_Trade_Facilitation_Indicators_updated-flyer_October_2014.pdf, May 2014.

Despite the growing number of FTAs, in many cases, businesses are not actually obtaining the potential benefits offered by FTAs because they cannot or do not meet the qualifying conditions. More generally, consistent with the protectionist environment still present in the global economy, many countries strictly enforce the FTA conditions, causing businesses that cannot substantiate FTA claims to pay import duties at the general rate. Where countries are not bound by FTAs, import duties are still a common and often-used means to steer trade and production development.

Although customs duty rates are generally reducing, these taxes still play a very significant role in meeting countries' budgetary needs. In many cases, duty rates are high and duties form part of the cost base of affected goods, because duties charged at one stage in the supply chain are not offset against taxes due at later stages (unlike VAT/GST). In constant search for revenue, countries have started to increasingly focus on the customs tax base. There are attempts to increase the base, like eliminating the first-sale concept and tightening the definition of dutiable royalties. This is reflecting a global trend and the result could be that royalties and service fees will have to be added to the value of imported goods to properly reflect their value, thus enlarging the customs tax base.

Also on the more practical side, many countries are making changes to their customs legislation that reflect a number of these trends. In the EU, for example, the legislation that governs customs activities is currently being rewritten as the Union Customs Code (UCC). This new code is due to come into force in May 2016. The UCC eliminates the earlier sale rule and tightens the definitions of royalties, which directly impact the tax bases. At the same time, it will entail profound changes to some customs regimes and controls that should facilitate trade, such as:

1. The introduction of Self-Assessment and Centralised Clearance
2. Mandatory guarantees for special procedures and temporary storage
3. The ability to move goods under temporary storage rather than national transit or New Computerised Transit System (NCTS)
4. All communications between customs authorities and economic operators must be electronic

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Tax authorities are focusing on enforcement of indirect taxes

Tax audits are changing. Tax and customs inspectors are increasingly using modern technology tools to access real-time comparative figures and data when auditing businesses. They are sharing more information, and more and more tax administrations around the world are implementing electronic auditing of businesses' financial records and systems. In many cases, taxpayers' information is under scrutiny even without an on-site audit taking place.

A recent survey carried out among EY Indirect Tax professionals based in 82 countries[9] revealed that the tax authorities in 59 of those countries use electronic data extraction to perform tax audits (see Figure 4). In 72 countries, the tax authorities conduct off-site audits using data submitted by the taxpayer (such as, customs declarations, VAT/GST returns and lists of transactions) (see Figure 5).

The benefits for tax administrations are clear: the more efficient use of technology lowers costs of collection and compliance and increases the amount of errors detected. In addition, tax and post-importation audits are becoming much harder to deal with for those companies that are not well prepared. On the flipside, knowledgeable and prepared taxpayers may also find it easier to deal with more professional tax and customs administrations.

These developments in technology and e-auditing are also paving the way for mandatory electronic invoicing and electronic filing of tax returns, which are fast becoming the global norm. Bolivia, Indonesia, Italy and Spain have all recently made mandatory electronic invoicing for larger transactions or for transactions involving specific recipients, particularly public bodies.

Figure 4. Do the tax authorities use electronic data extraction to perform tax audits?

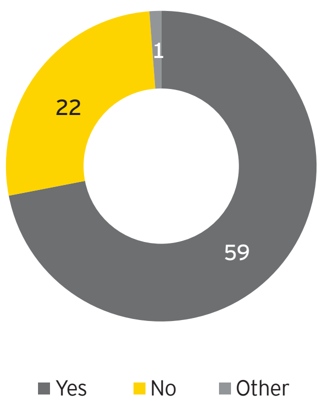
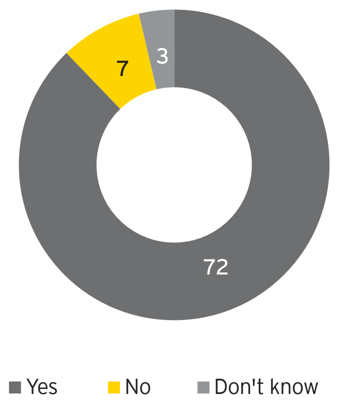


Figure 5. Do the tax authorities conduct off-site audits using data submitted by the taxpayer (e.g., customs declarations, VAT/GST returns)?



9. Angola, Armenia, Aruba, Australia, Austria, Belarus, Belgium, Bolivia, Bonaire, Sint Eustatius and Saba (BES Islands), Botswana, Brazil, Bulgaria, Canada, Chile, China , Costa Rica, Croatia, Curacao, Cyprus, Czech Republic, Denmark, Ecuador, El Salvador, Equatorial Guinea, Estonia, Finland, France, Georgia, Germany, Ghana, Greece, Guam , Guatemala, Hungary, India, Indonesia, Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Latvia, Lithuania, Luxembourg, Macedonia, Malawi, Malta, Mexico, Namibia, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Papua New Guinean, Paraguay, Peru, Poland, Portugal, Puerto Rico, Romania, Russia, Singapore (including Brunei), Sint Maarten, Slovak Republic, Slovenia, South Africa, South Korea, Spain, Suriname, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, Uganda, United Kingdom , Ukraine, Uruguay, Zambia.

What do these trends mean for your business?

All of the developments trends identified in this report have a direct impact on business activities; however, not all of them may have a direct impact on your organization. Use the developments outlined in the detailed report to help you identify which of them are relevant for your sector and for the countries where you operate and what they mean for your management of tax risk and your overall business strategy.

Confirming that the latest changes and developments in a country's legislation have been correctly implemented into your ERP system is essential to ensuring accurate local compliance. The importance of accuracy increases as indirect tax rates increase, because the consequences of applying the wrong rate become more severe.

The impact of rising VAT/GST rates is particularly significant for businesses that do not recover VAT/GST in full (e.g., because of VAT exempt activity), such as banks and insurance companies. Higher rates also have an increased cost or cash flow impact on companies that incur VAT/GST in foreign jurisdictions that is not refunded quickly or that they do not or cannot recover (e.g., because of an absence of refund schemes for nonresidents or because of complicated refund procedures).

Our experience shows that many companies still pay too much indirect taxes, often because they do not identify and manage these duties and their associated costs effectively. For example, many companies are not aware of exemptions or refund schemes that they may qualify for, e.g., for energy taxes. Many global companies could save large amounts in customs duty costs, sometimes amounting to millions of dollars, by making small changes in their supply chains to meet the qualifying conditions of FTAs. Similarly, small changes to how or where you do business may reduce your number of VAT/GST registrations and the related compliance risks.

Companies that operate in the digital economy are directly affected by the increasing trend to tax these activities. If your business involves running webshops or providing electronic services to final consumers such as telecommunications, content download, information provision or broadcasting services, these developments should be front of mind. Have you clarified your current indirect tax liabilities in the countries where your clients reside? Do you know which countries are planning to introduce taxation and the form it will take?

Tax administrations are turning increased attention to enforcement of indirect taxes, and they have new and powerful audit tools at their disposal. Taxpayers need to be prepared to meet higher standards of transparency. Increased audit activities and scrutiny may disrupt business and lead to unexpected liabilities. Reputational risk is also a danger. Large assessments for underpaid tax or penalties for late filings not only have an impact on profitability, they may draw unwanted adverse publicity, even for compliant businesses.

More than ever, it pays out to proactively manage indirect taxes. Establishing a clear indirect tax strategy will help you keep your business up to date with the rapidly changing tax environment.


LIPPO
LIPPO

VAT/GST

VAT/GST rate changes

Croatia

Effective 1 January 2015: reduced rate of 5% applies to all prescription drugs.

Czech Republic

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

1 January 2015: second reduced rate of 10% was introduced for certain books and magazines, certain medicines for human and veterinary use, baby nutrition and a limited range of gluten-free cereal products.

France

1 October 2014: reduced VAT rate of 5.5% for the supply of new homes for low-income households in new urban priority areas was announced.

Georgia

1 June 2014: VAT exemption on imported goods abolished.

Iceland

1 January 2015: standard rate of VAT was reduced to 24% (from 25.5%), and reduced rate of VAT was increased to 11% (from 7%).

1 January 2016: reduced rate VAT will apply to passenger transportation for recreational purposes and services provided by travel agents and travel organizers (currently exempt).

1 January 2016: reduced VAT rate will apply to admissions to spas and bath houses (currently exempt).

Uzbekistan

1 January 2015: 20% VAT rate applies to supplies of gas to households (previously zero-rated) and imported medical and veterinary products (previously exempt).

Bahamas

1 January 2015: VAT was introduced at a rate of 7.5% (postponed from 1 July 2014).

Dominica

1 September 2014: VAT no longer applies to the service charge levied on guest accommodation, food and beverages by hotels, guest houses and restaurants.

Dominican Republic

1 January 2015: reduced VAT rate was increased to 13% (from 11%) for goods such as dairy products, coffee, animal and vegetable edible fats, sugar, cocoa and chocolate.

Saint Lucia

1 November 2014: certain pharmaceuticals are exempt from VAT.

Canada

Nova Scotia has abolished its earlier proposal to further lower the provincial component of its harmonized sales tax (HST) rate from 9% to 8% from 1 July 2015. The current combined GST/HST rate of 14% therefore still applies in Nova Scotia.

Mexico

1 January 2015: 16% VAT applies to all temporary importations made by IMMEX companies.

Argentina

1 October 2014: VAT on newspapers, magazines, similar periodic printed publications and advertising services is levied at the general rate of 10.5%.

Ecuador

1 January 2015: zero rate now applies to certain domestic appliances and heating systems.

Paraguay

1 January 2015: 5% VAT applies to raw agricultural products, i.e., fruit and vegetables (previously exempt).

Peru

1 July 2014: VAT withdrawal system rate for certain services was reduced to 10% (from 12%).

October 2014: Proposal to reduce the VAT rate to 15% from 1 January 2015 and to 14% from 1 January 2016 was announced but is not yet approved.

Uruguay

1 August 2014: VAT rate was reduced by 2% for sales of goods and services supplied to final consumers using electronic means of payment.

Ireland

1 January 2015: farmers' flat-rate addition was increased to 5.2% (from 5%).

1 March 2015: scope of VAT exemptions is extended to certain green fees and the management of certain defined contribution pension schemes.

Italy

1 January 2016: potential standard VAT rate increase to 24% (from 22%), with further potential increases planned from 1 January 2017 (to 25%) and from 1 January 2018 (to 25.5%).

1 January 2016: potential reduced VAT rate increase to 12% (from 10%) and to 13% from 1 January 2017.

1 January 2015: 4% VAT rate applies to e-books (previously 22%).

Lithuania

1 January 2015: reduced VAT rate of 9% applies to tourist accommodation.

Reduced rate of VAT of 9% on energy supplied for heating of residential houses has been extended to 1 July 2015 (originally planned to end on 1 January 2015).

Luxembourg

1 January 2015: standard rate increased to 17% (from 15%), the intermediate rate increased to 14% (from 12%) and the reduced rate increased to 8% (from 6%).

Super-reduced rate of 3% continues to apply, except for the delivery of alcoholic beverages in catering services and the acquisition of dwellings intended for rental.

Malta

1 January 2015: reduced VAT rate of 5% applies to e-books.

Netherlands

The reduced 6% VAT rate for home repairs and renovations has been further extended until 1 July 2015.

Poland

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

Portugal

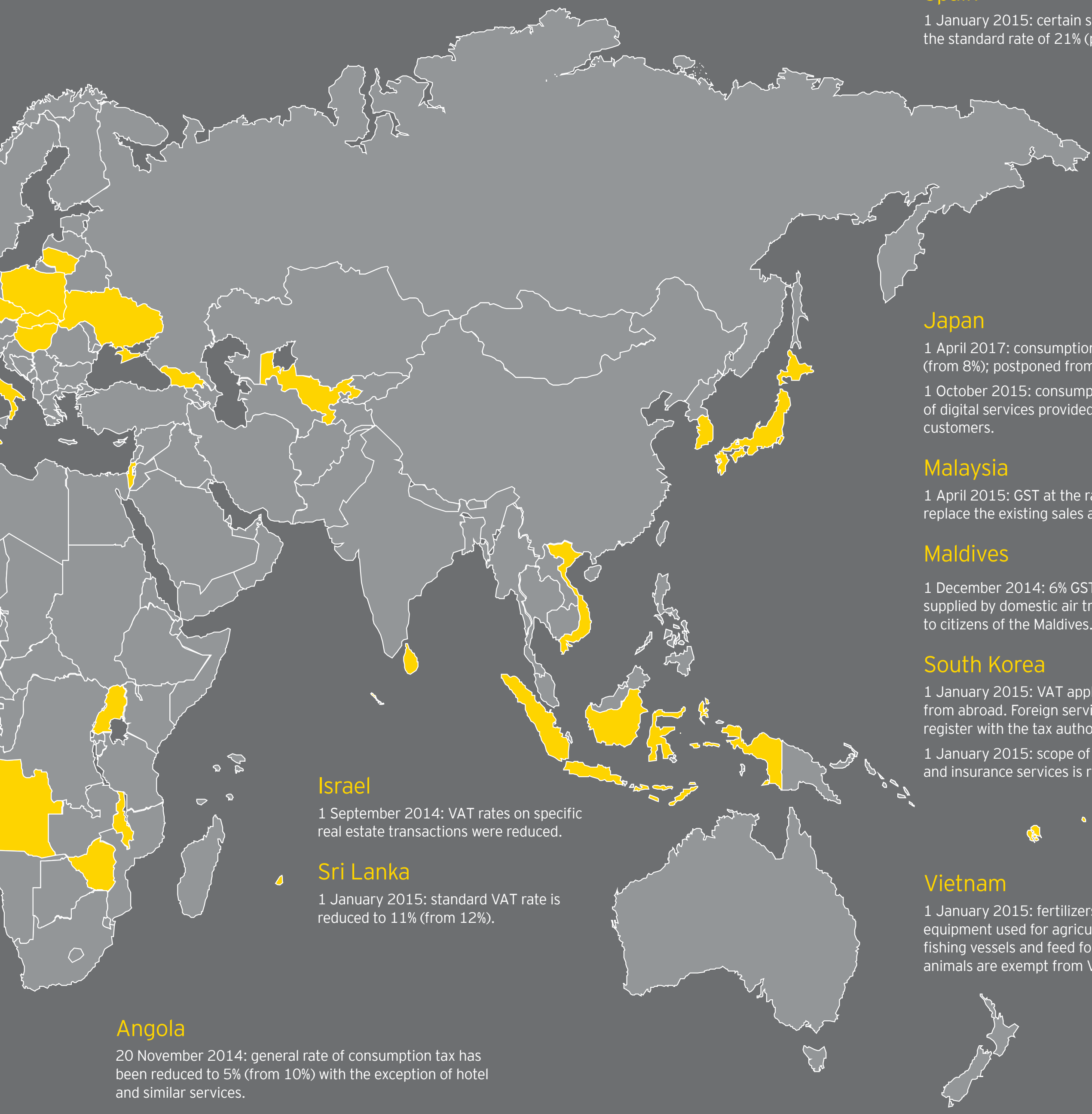
Planned increase of the standard VAT rate (from 23% to 23.25%) from 1 January 2015 has been canceled.

Slovak Republic

Plans to revert to the previous standard VAT rate of 19% (from the current 20%) have been abandoned.

Spain

1 January 2015: certain sanitary products are taxed at the standard rate of 21% (previously 10%).



Japan

1 April 2017: consumption tax rate will increase to 10% (from 8%); postponed from 1 October 2015.

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

Malaysia

1 April 2015: GST at the rate of 6% will be implemented to replace the existing sales and services tax.

Maldives

1 December 2014: 6% GST applies to goods and services supplied by domestic air transportation service providers to citizens of the Maldives.

South Korea

1 January 2015: VAT applies to e-services purchased from abroad. Foreign service providers are required to register with the tax authorities.

1 January 2015: scope of the VAT exemption for financial and insurance services is reduced.

Israel

1 September 2014: VAT rates on specific real estate transactions were reduced.

Sri Lanka

1 January 2015: standard VAT rate is reduced to 11% (from 12%).

Vietnam

1 January 2015: fertilizers, specialized machinery and equipment used for agricultural production, offshore fishing vessels and feed for cattle, poultry and other animals are exempt from VAT (previously 5% applied).

Angola

20 November 2014: general rate of consumption tax has been reduced to 5% (from 10%) with the exception of hotel and similar services.

Ghana

1 January 2015: VAT applies to fee-based financial services.

1 January 2015: 5% VAT rate applies to real estate transactions.

1 January 2015: VAT is removed from locally produced pharmaceuticals and some of the raw materials used for the production of these pharmaceuticals.

Morocco

1 January 2015: VAT rate on solar water heaters is reduced to 10% (from 14%).

Tunisia

1 January 2015: VAT is reduced to 12% (from 18%) on electricity intended for household purposes, irrigation equipment used in agricultural activities and specific oil products.

1 January 2015: various smoking cessation products are subject to a reduced 12% VAT rate.

Zimbabwe

1 January 2015: zero rate of VAT on sugar cane – applies retrospectively from 1 February 2009.

French Polynesia

2015: sales of new vehicles partially powered by electricity, and their components, parts and accessories, are exempt from VAT.

Other VAT/GST changes

Albania

1 January 2015: new VAT law came into force, aimed at aligning domestic law with European VAT rules.

Austria

1 January 2015: threshold for Intrastat filings is €750,000.

Belgium

1 January 2016: services of legal entities serving as a board member, (managing) director or liquidator of a company are subject to VAT.

Bolivia

5 January 2015: only invoices using the e-invoice system are valid for tax purposes.

Croatia

1 January 2015: cash accounting scheme was extended to taxpayers as long as annual net turnover does not exceed HRK3 million.

1 January 2015: requirement for filing annual VAT returns is abolished

Spain

1 January 2015: domestic reverse charge is extended and includes business-to-business (B2B) supplies of mobile phones.

15 January 2015: taxpayers are obliged to issue e-invoices for supplies to public entities.

January 2017: new reporting system for invoices will come into force.

Sweden

1 January 2015: limit for simplified invoices increased from SEK2,000 to SEK4,000.

Switzerland

1 January 2015: foreign companies are liable for VAT if they provide domestic supplies subject to the reverse charge and the revenue generated exceeds CHF100,000 per year.

Ukraine

1 January 2015: VAT registration threshold has been increased from UAH300,000 to UAH1 million.

1 January 2015: rules for VAT refunds have changed.

1 January 2015: electronic VAT administration system has been implemented for all taxpayers.

United Kingdom

1 January 2015: thresholds for reporting of Intrastat arrivals increases from £1.2 million to £1.5 million.

Uzbekistan

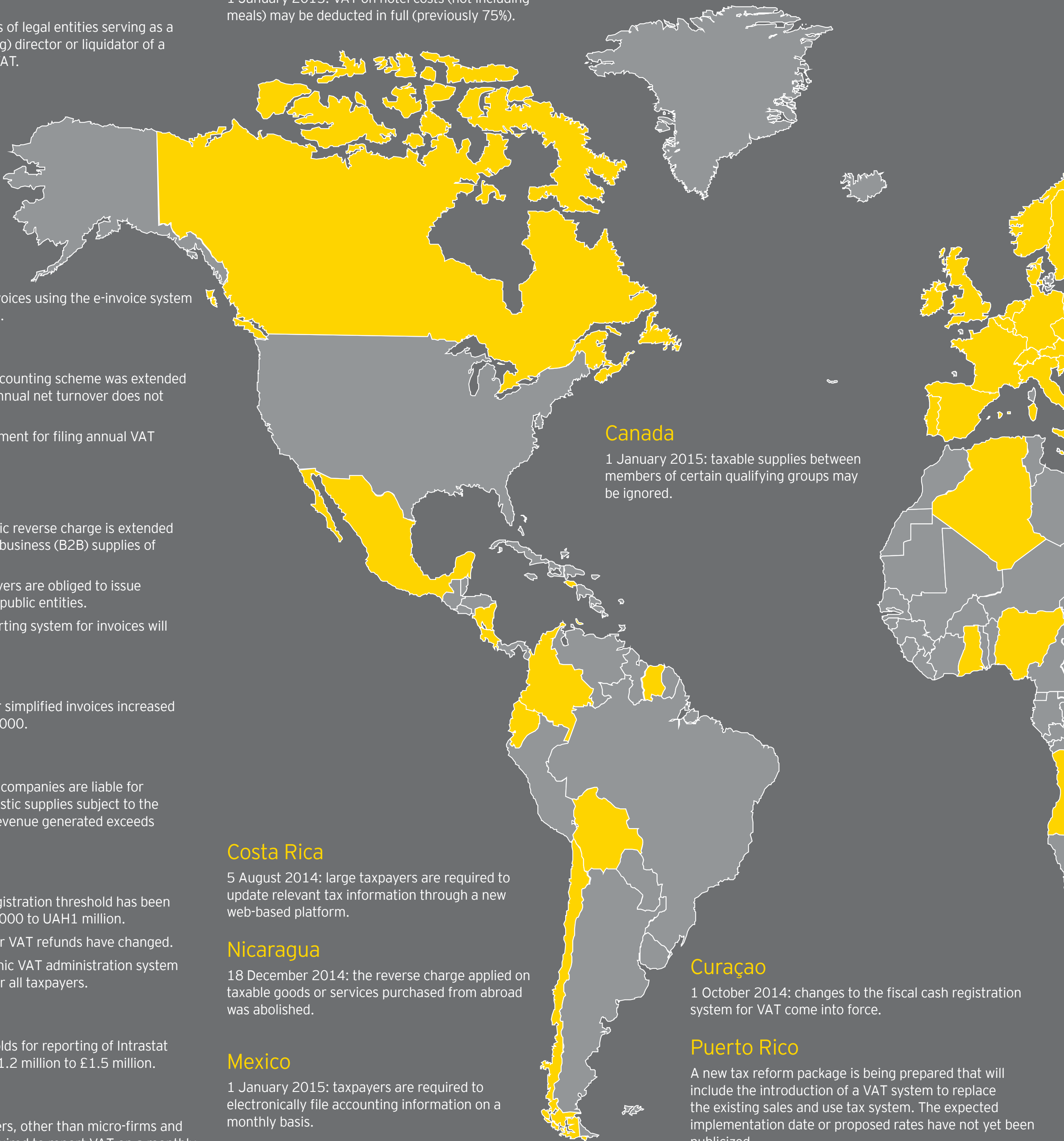
1 January 2015: taxpayers, other than micro-firms and small businesses, are required to report VAT on a monthly basis (previously quarterly).

Czech Republic

1 April 2015: domestic reverse-charge regime is extended and includes supplies of mobile phones, laptops, games consoles, integrated circuits, cereals and technical crops (farming products), and raw or semi-processed metals.

Denmark

1 January 2015: VAT on hotel costs (not including meals) may be deducted in full (previously 75%).



Costa Rica

5 August 2014: large taxpayers are required to update relevant tax information through a new web-based platform.

Nicaragua

18 December 2014: the reverse charge applied on taxable goods or services purchased from abroad was abolished.

Mexico

1 January 2015: taxpayers are required to electronically file accounting information on a monthly basis.

Chile

1 January 2016: VAT applies to the sale of immovable property.

Colombia

1 October 2014: VAT refunds are provided for foreign tourists.

Estonia

1 November 2014: taxpayers are required submit a monthly appendix to the VAT return containing details all invoices issued and received for goods and services taxable at the 20% and 9% VAT rates.

1 December 2014: input VAT deduction on passenger car is reduced to 50%.

European Union (EU)

1 January 2015: new rules on the place of business-to-consumer (B2C) supplies of e-services, broadcasting and telecommunications were introduced. EU suppliers can use the MOSS to fulfill their VAT obligations for services provided in other Member States where they are not established.

Canada

1 January 2015: taxable supplies between members of certain qualifying groups may be ignored.

Curaçao

1 October 2014: changes to the fiscal cash registration system for VAT come into force.

Puerto Rico

A new tax reform package is being prepared that will include the introduction of a VAT system to replace the existing sales and use tax system. The expected implementation date or proposed rates have not yet been publicized.

Ecuador

2 October 2014: e-invoicing system was introduced.

Suriname

1 January 2016: VAT is now due to be introduced (postponed from 1 January 2014).

Finland

1 January 2015: domestic reverse charge applies to trade in waste and scrap metals.

1 January 2015: low-value consignment relief (€22) has been removed for imports of newspapers and magazines published once a week or less frequently.

France

1 October 2014: foreign companies are required to use e-procedures to file VAT returns.

Germany

1 October 2014: new VAT return form is required.

1 January 2015: amended rules for voluntary self-disclosure apply.

Greece

Tax years ending after 1 January 2014: submission of annual VAT returns no longer required.

Filing periods after 1 January 2015: periodic VAT return has been amended.

Hungary

1 October 2014: changes to the rules on invoices, including those stored in electronic format, came into force.

1 January 2015: the Electronic Control System of the Movement of Goods on Road (EKAER) was introduced.

Italy

1 January 2015: reverse-charge mechanism is extended in the construction and energy sectors.

31 March 2015: e-invoicing is mandatory for supplies to all public authority bodies.

Lithuania

1 January 2015: the euro was introduced as the national currency.

Malta

1 January 2015: VAT registration became mandatory for any person who carries out an economic activity.

Norway

1 January 2015: new VAT deduction rules for rental and leasing cars.

Poland

18 August 2014: new tax portal launched.

Russia

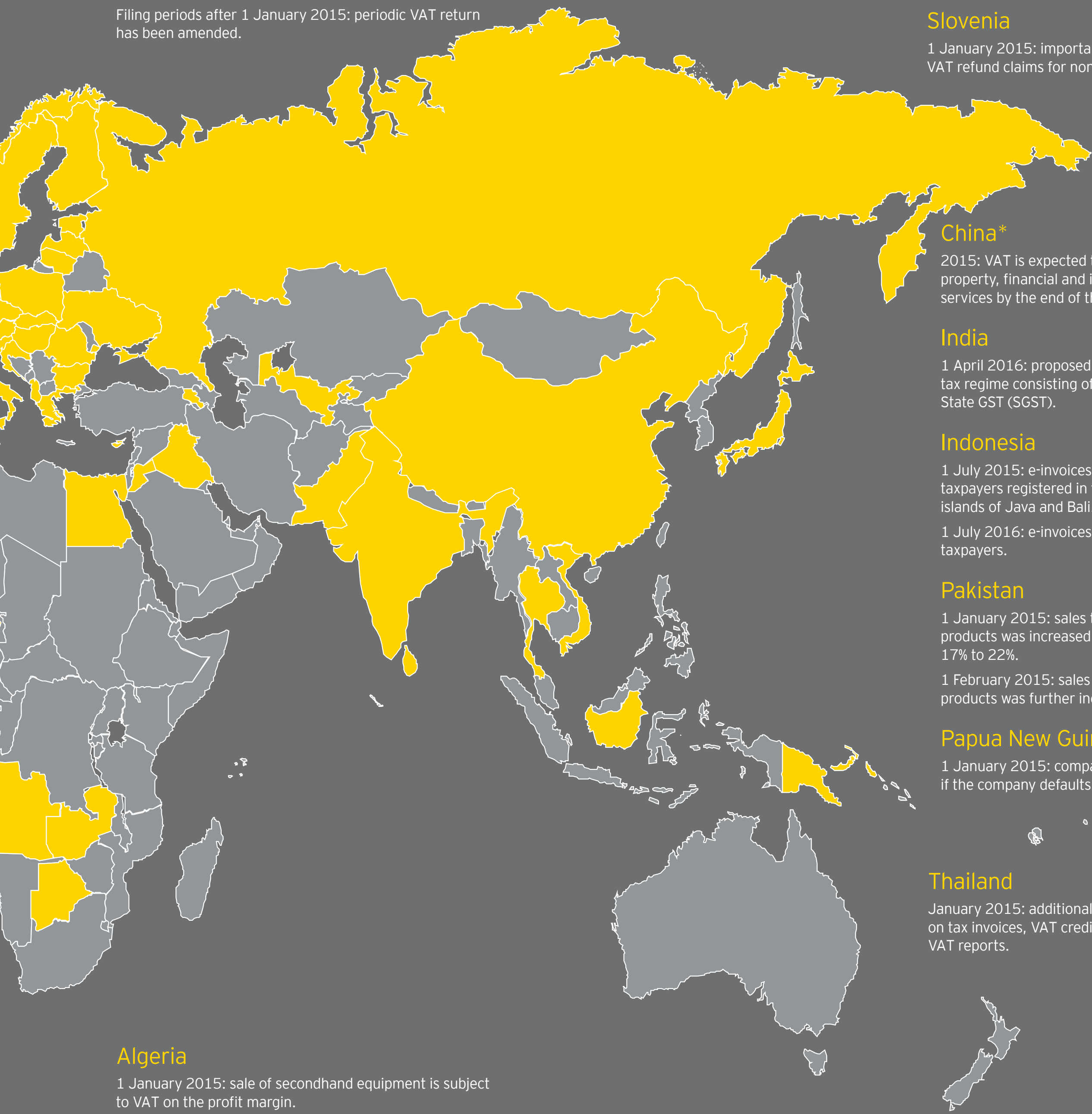
1 January 2015: new VAT return was introduced requiring additional sales and purchase data.

Slovak Republic

1 October 2014: threshold for the submission of quarterly EC Sales Lists was decreased from €100,000 to €50,000.

Slovenia

1 January 2015: important procedural changes regarding VAT refund claims for non-established businesses apply.



China*

2015: VAT is expected to be extended to real estate and property, financial and insurance services, and lifestyle services by the end of the year.

India

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

Indonesia

1 July 2015: e-invoices are required for corporate taxpayers registered in the 17 regional tax offices on the islands of Java and Bali.

1 July 2016: e-invoices will be mandatory for all taxpayers.

Pakistan

1 January 2015: sales tax rate on certain petroleum products was increased from the standard rate of 17% to 22%.

1 February 2015: sales tax rate on certain petroleum products was further increased to 27%.

Papua New Guinea

1 January 2015: company directors have personal liability if the company defaults on its GST obligations.

Thailand

January 2015: additional content is required on tax invoices, VAT credit and debit notes, and VAT reports.

Algeria

1 January 2015: sale of secondhand equipment is subject to VAT on the profit margin.

1 January 2015: exemption from VAT applies to certain investments in research and development activities.

Angola

20 November 2014: consumption tax applies to electronic communication services and the management of commercial establishments.

Botswana

23 January 2015: VAT registration threshold increased from BWP500,000 to BWP1 million per annum.

Egypt

The introduction of a VAT law that will replace the existing general sales tax system has been announced. An implementation date has not yet been confirmed.

Ghana

4 November 2014: the Ghana Revenue Authority (GRA) Taxpayer Portal was launched.

Nigeria

25 July 2014: VAT exemption applies to certain stock exchange transactions for a period of five years.

Zambia

1 January 2015: electronic filing of VAT returns is mandatory if there are 10 or more transactions.

*China refers to the China mainland tax jursidiction.

VAT/GST changes

Albania

Effective 1 January 2015, a new VAT law came into force. The new law is aimed at aligning the Albanian domestic law with European VAT rules.

The main changes include:

- Place-of-supply rule changes: Albanian VAT now applies to some cross-border supplies but not others. For example:
  - The cross-border supply of intangibles is now a supply of services, rather than a supply of imported goods.
  - A foreign supplier who provides services related to immovable property located in Albania to a taxable person in Albania no longer has an obligation to register for Albanian VAT by appointing a fiscal representative. Instead, the local recipient of the supply is obliged to account for the VAT due using the reverse-charge mechanism.
  - Digital services supplied to non-taxable persons (such as telecommunications, broadcasting services and online games) are now taxable in the place where the recipient is established or where he has his permanent address or usually resides. As a result, nonresident service providers may be obliged to register for Albanian VAT by appointing a fiscal representative. Similar provisions apply to a range of other services provided by nonresidents to final consumers.
- Calculation of the tax: The new VAT law also introduces the concept of using the open-market value (OMV) for determining the taxable amount for related-party transactions, for the self-supply of services and for barter transactions. Under the new provisions, the tax authorities will have the right to reassess the taxable amount for supplies made between related parties if the consideration charged is not in line with the OMV. These measures are intended to limit exploitation of the VAT deduction system by taxpayers who do not recover VAT in full who otherwise can reduce the VAT cost of a transaction by manipulating its value.

Algeria

Effective 1 January 2015, the sale of secondhand equipment is subject to VAT, calculated on the profit margin charged on such assets.

Effective 1 January 2015, an exemption from VAT applies to investments in research and development activities, subject to certain conditions.

Effective 1 January 2015, requests for VAT refunds have to be submitted annually and not quarterly.

Angola

Effective 20 November 2014, the revised Consumption Tax Regulation came into force. Under this regulation:

- The general standard rate of consumption tax has been reduced to 5% (from 10%) with the exception of hotel and similar services, which continue to be subject to taxation at 10%.
- Consumption tax now applies to electronic communication services and the management of commercial establishments.
- Consumption tax no longer applies to:
  - Work on tangible movable assets
  - Port, airport and dispatch services

Angola (continued)

- Road, maritime, rail and air transportation of passengers and goods, including storage services related to the transportation, as long as the service is provided exclusively in Angolan territory
- The reverse-charge mechanism now applies to all entities with their headquarters, domicile, effective place of management or permanent establishment in Angola, whenever they acquire services subject to taxation from nonresident entities, regardless if they are subject to Industrial Tax.
- An exemption on services (with the exception of hotel and similar services) applies when rendered to oil and gas investing companies that carry out operations in concession areas that are under exploration and development phases (i.e., preproduction phases), up to the date in which commercial production begins. This exemption requires an exemption certificate to be issued by the National Tax Directorate upon request.
- A tax exemption may be granted to concession areas that are already in the production phase, namely marginal fields, if it can be demonstrated that consumption tax gives rise to economic imbalances in the concession contracts.

Argentina

Effective 1 October 2014, the import or supply of newspapers, magazines and similar periodic printed publications is subject to VAT at 10.5%. Small publishers are subject to VAT on these goods at 2.5% or 5%, depending on their annual revenues.

Effective 1 October 2014, VAT on the supply of advertising services is levied at 21%. Small publishers are subject to VAT on advertising services at 2.5% or 10% depending on their annual revenues. The sale to final consumers remains exempt from VAT.

The 5% VAT refund for purchases paid with debit cards (excluding purchases of petrol and liquefied petroleum gas for vehicles) originally introduced in 2001 has been extended until 31 December 2015.

Armenia

Effective 1 January 2015, the VAT exemption was abolished for the provision of financial agency services by banks and credit institutions, and for brokerage and other intermediary services.

On 3 September 2014, the Ministry of Finance published a draft law providing VAT exemption for activities performed in some border areas. The draft law provides that retail trade, manufacturing and activities covered by the Law on Licence Fees will be tax-exempt when they are provided in border areas stipulated in the annex of the draft law.

Aruba

Effective 1 December 2014, a Health Tax of 1% applies to supplies that are currently subject to the turnover tax. The Health Tax is paid on the consideration received for the goods delivered and the services rendered in addition to the 1.5% turnover tax, resulting in a combined total of 2.5%.

Australia

The Australian Taxation Office (ATO) has delivered guidance on the taxation treatment of bitcoin and other crypto-currencies. They have advised that bitcoin transactions are treated like barter transactions with similar taxation consequences. From a GST perspective, businesses need to charge GST when they supply bitcoin and may be subject to GST when receiving bitcoin in return for goods and services.

Austria

Effective 1 January 2015, the threshold for Intrastat filings is €750,000.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by Business to Consumers (B2C). The simplified procedure of registration and accounting for VAT under the Mini One-Stop Shop (MOSS) is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Bahamas

Effective 1 January 2015, VAT was introduced at a rate of 7.5% (postponed from July 2014 with a proposed rate of 15%). To prepare for introducing VAT, the government issued a number of general VAT and industry VAT guides on 1 September 2014.

Belgium

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 January 2016, the services of legal entities serving as a board member, (managing) director or liquidator of a company are subject to VAT. Before this date, legal entities performing these services are not required to request a VAT identification number or conduct their own VAT administration, but these persons had the option of whether to be subject to VAT. The option to tax remains in place for individuals serving as a board member or (managing) director.

Bolivia

Effective 5 January 2015, a resolution regarding the electronic invoice system came into force. From that date, only invoices using this system are valid for tax purposes such, as the use of VAT credits.

Botswana

Effective 23 January 2015, the following VAT changes apply:

- The VAT registration threshold has been increased from an annual turnover of BWP500,000 to BWP1 million. All businesses with an annual turnover of less than BWP1 million should make arrangements to de-register from VAT. Voluntary registration will be considered for annual turnover of at least BWP500,000.
- Supplies of tractors are now exempt (previously zero-rated).
- Certain foodstuffs are now zero-rated, including:
  - Brown bread
  - Fresh vegetables (in natural state)
  - Fresh fruits (in natural state)
  - Rice (husked, milled, polished, glazed, parboiled or broken)
  - Samp (not further prepared/processed)
  - Milk (cattle, sheep or goat milk not concentrated, condensed, evaporated, sweetened, flavored or cultured)
  - Bread flour (white, brown or whole wheat)

Bulgaria

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C.

The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Burundi

The country's budget provided that exemptions from VAT provided by the Investment Code and/or by the Special Free Zone Regulations are repealed for 2015. A new rate of the general consumption tax on certain products was also announced, including:

- Mineral, sparkling and flavored water: 13%
- Vehicles: 5%, 10% and 15%, based on horsepower

Canada

Effective 1 January 2015, changes to the election for closely related persons came into force. These changes had been announced in the 2014 federal budget. Pursuant to this election, corporations resident in Canada and Canadian partnerships that are considered members of a qualifying group can make an election to treat all taxable supplies among them (with some exceptions) as having been made for no consideration, when particular requirements are satisfied. Canadian-resident corporations that are closely related by virtue of being related to a nonresident or non-registrant corporation or a chain of such corporations are eligible to make use of the election if all of the other conditions for making the elections exist.

Effective 1 January 2015, changes to the definition of a qualifying member result in a general increase in the availability of the election for new members of a qualifying group. In addition, parties to the election become jointly and severally liable for tax that may apply in relation to supplies made among them on or after 1 January 2015. In addition, effective 1 January 2015, a new prescribed election form (RC4616) must be filed with the Canada Revenue Agency. This form replaces the previous form (GST25), which had to be kept on file but not filed with the agency. All elections that were in place prior to 2015 must be refiled with the agency prior to 1 January 2016 using the new election form but carrying the effective date used in the original election. If the new filing requirements are not met, elections will be considered to be invalid, which could lead to significant tax consequences in the event of an audit.

Currently, participants in joint ventures involved in certain activities may enter into a joint venture election that simplifies the GST/harmonized sales tax (HST) accounting obligations for their joint venture activities. Under the election, participants in certain types of joint ventures may elect to have one participant in the joint venture be responsible for all the GST/HST accounting for eligible activities of the joint venture. The 2014 federal budget announced the government's intention to release draft legislation that would make the joint venture election available to participants in additional joint ventures by allowing the participants to make the joint venture election as long as the activities of the joint venture are exclusively commercial and the participants are engaged exclusively in commercial activities. The budget indicated that the draft legislation would be released later in 2014 and that stakeholders would be invited to provide their views. However, at the time of writing, draft legislation has not yet been released.

Nova Scotia has abolished its earlier proposal to further lower the provincial component of its HST rate from 9% to 8% from 1 July 2015. The current combined GST/HST rate of 14% therefore still applies in Nova Scotia.

Chile

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

China[1]

In June 2014, the VAT pilot program was further expanded to cover postal and telecommunications services. It is widely anticipated that VAT will also apply to the following services by the end of 2015:

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

China's State Administration of Taxation (SAT) released an announcement (SAT Notice [2014] No. 49) that details new administrative rules on VAT exemption for cross-border services, effective 1 October 2014. The notice sets out a list of services that are exempt from VAT. It also clarifies that taxable services provided to entities or individuals located in special bonded areas are not regarded as cross-border services and are therefore taxable for VAT purposes. Taxpayers applying for VAT exemption are required to file the VAT exemption registration on a per-contract basis with the tax authority together with certain documents. Contracts for cross-border services must be provided in Chinese and adjustments to original contracts must be notified to the tax authority.

Colombia

On 3 October 2014, the Ministry of Treasury proposed a tax reform. From a VAT perspective, the reform proposed the elimination of the two-point VAT reduction for the purchase of goods and services made by credit or debit cards or through a mobile banking service, which are generally taxed at a 16% general rate or at a 5% rate, depending on the type of transaction.

Effective 1 October 2014, VAT refunds are provided for foreign tourists (Decree 1903 of 2014).

On 18 September 2014, Decree 1,781 of 2014 was published and established a VAT withholding on the sale of paper and cardboard for recycling.

Costa Rica

Effective 5 August 2014, the tax authority requires large taxpayers to update relevant tax information through a new web-based platform called AMPO.

Noncompliance with this obligation qualifies as an administrative infraction and exposes taxpayers to the following fines:

- For noncompliance with a first information request, a fine of two "base salaries" (approximately US$1,465)
- For noncompliance with a second information request, a fine of five "base salaries" (approximately US$3,664)
- For noncompliance with a third information request, a fine of 2% of the gross income reported in the previous tax period, with a minimum of 10 base salaries (approximately US$7,328) and a maximum of 100 base salaries (approximately US$73,284)

Effective 1 October 2014, amendments to procedures for filing tax information came into force. The aim of the amendments is that taxpayers are obliged to provide all "foreseeable relevant information" on their businesses. From an indirect tax perspective, the main amendments include:

- Amounts should be reported on the annual form Clients and Suppliers (accumulated amounts per client for sales and purchases exceeding certain thresholds), excluding the input VAT.

1. China refers to the China mainland tax jursidiction.

Costa Rica (continued)

- Sales intermediaries must report transactions on a monthly basis, including transactions that are exempt from VAT, and indicate the input VAT where relevant.
- All information must be filed electronically by taxpayers using the forms available on the tax administration's web page.
- Any changes to information that has already been filed must be submitted electronically, except for information relating directly to the taxpayer (e.g., name, identification number, tax period), which must be submitted on paper.

Croatia

Effective 1 January 2015, the following VAT changes apply:

- A reduced rate of 5% applies to all prescription drugs and those on the list published by the Croatian Health Insurance Fund. Previously, the reduced VAT rate applied only to prescription drugs on the list published by the Croatian Health Insurance Fund.
- The special scheme for tour operators does not only apply to supplies to final customers (i.e., travelers) but also to businesses and other legal persons (e.g., tour operators).
- A taxable person who is the recipient of goods or services is held jointly and severally liable for payment of the VAT if he was or should have been aware that he is involved in a transaction aimed at tax avoidance. It is now prescribed that in such cases the Croatian tax authority must inform the respective taxable person formally of his liability for payment of the VAT owing to his involvement in fraudulent activities.
- The recipient of supplied goods/services is held liable (as a guarantor) for the payment of VAT in following cases:
  - The supplier has failed to issue the invoice and/or VAT is accounted incorrectly.
  - The recipient has failed to pay to the supplier at least the amount of VAT stated on the invoice within the deadlines for settlement of liabilities prescribed by the Act on Financial Transactions and Pre-bankruptcy Procedure.
- The tax authority can temporarily suspend the VAT identification number of a taxable person if there is suspicion of abuse of the VAT identification number. Suspension does not mean the cancellation of the VAT identification number. The number could be reactivated once the reason for the suspension has ceased.
- The cash accounting scheme is extended to all VAT payers whose annual revenue (excluding VAT) does not exceed HRK3 million (approximately €400,000).
- New rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.
- The requirement for filing an annual VAT return is abolished (the last annual VAT return should be filed for 2014).
- A new VAT report (Form PPO) is required for domestic supplies subject to the domestic reverse charge under Article 75(3) of the VAT Act. Croatian taxable persons that make supplies of goods and services for which the recipient is obliged to calculate and pay VAT in accordance with the domestic reverse-charge rules must report those supplies separately. Examples of supplies covered by Article 75(3) of the VAT Act are construction works (repair, maintenance, alteration and demolition

Croatia (continued)

services in relation to immovable property), the supply of staff engaged in construction work, and supplies of used material and waste.

- If taxable supplies of goods or services are made by a taxable person who is not established and does not have a permanent or habitual residence in Croatia, VAT should be paid by a taxable person or a non-taxable legal person registered for VAT purposes to whom the goods or services are supplied. If the above-mentioned supplier has a VAT ID number in Croatia, details of the supplies should be reported on Form PPO.
- Supplies of goods and services made under diplomatic and consular arrangements are automatically exempt from VAT.
- The VAT treatment of sale of real estate is now as follows:
  - The supply of buildings (including the attached land), before their first use or within two years after their first use, is subject to VAT.
  - The sale of building land is also subject to VAT.
  - Land for which a building permit has been issued qualifies as a building land.
  - The supply of reconstructed buildings is also taxable (i.e., not exempt) if costs of the reconstruction incurred in the previous two years exceeded 50% of the sales price.

Curaçao

Effective 1 October 2014, changes to the fiscal cash registration system for VAT came into force. The most important details are as follows:

- A cash register must be kept for the following supplies and services:
  - Distributing food and drinks
  - Selling or repairing consumer articles (except motor vehicles and vessels)
  - Personal services
- A cash register is not required for entrepreneurs with a turnover of less than NAG30,000 or for VAT-exempt activities.
- Entrepreneurs must maintain a register of invoices. Each invoice must contain a unique invoice number, a cash register identification number and a fiscal logo.
- A cash register must be kept by all private entrepreneurs, professionals and other legal entities, corporations and special-purpose funds that are obliged to keep invoices for certain deliveries or services.
- Sanctions apply for noncompliance.

Cyprus

Effective 1 July 2014, the Inland Revenue Department merged with the VAT Service and is now called the Tax Department.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Czech Republic

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

Effective 1 January 2015, the following changes apply:

- A second reduced rate of 10% has been introduced for certain books and magazines, certain medicines and drugs for human and veterinary use, baby nutrition, and a limited range of gluten-free cereal products.
- A new concept of functional unit that defines the land on which the building stands (and thus having the same VAT regime) has been introduced. Certain changes to the definition of social residential building have an impact on the application of the first reduced VAT rate (e.g., repairs, construction of residential buildings).
- Increased fines apply for failure to comply with non-monetary obligations, such as VAT registration, reporting, recording, or other notifications or obligations to provide proof or documentation. The fine for this failure is now CZK500,000. Further, the fine for the failure to file the Czech VAT return and/or EC Sales List electronically is now CZK2,000.
- The definition of "unreliable VAT payer" has been extended. For example, it now covers persons with underpayments of VAT of more than CZK500,000 for more than three months, persons that repeatedly fail to file VAT returns or that have provided incorrect information in their application for VAT registration.
- A customer is jointly liable for Czech VAT that was not paid by its supplier if the customer remits the payment for the supply to the supplier's bank account that is not published (authorized) by the Czech tax authorities and the amount of payment exceeds CZK540k (previously CZK700k).

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 April 2015, the domestic reverse charge is extended to include supplies of mobile phones, laptops, tablets, game consoles, integrated circuits, cereals and technical crops (farming products) and raw or semi-processed metals. The reverse charge applies only to invoices with a net amount exceeding CZK100,000. Suppliers and customers affected by the extended reverse-charge regime are required to keep VAT records, issue and maintain tax documents related to these supplies, and report these supplies in their domestic sales lists (for suppliers) and domestic purchase lists (for customers).

Effective 1 September 2015, the reverse charge will apply to supplies of sugar beets.

Effective 1 January 2016, a new control report (a detailed list of input and output transactions) is being introduced. Czech VAT payers will be obliged to submit this report electronically along with their VAT returns.

Denmark

Effective 1 July 2014, a local reverse charge applies to supplies of certain electronic goods (mobile telephones, laptops, tablets, gaming consoles and integrated circuit devices). The reverse charge does apply to sales made by businesses in the retail sector.

In September 2014, the Danish tax authority abolished a rule that required companies to present documentation from external debt collection agencies before they may receive VAT refunds in respect of bad debts.

Effective 1 January 2015, the input VAT deduction percentage for hotel costs has been increased again. VAT on certain hotel costs may now be deducted in full (previously the deduction was 75%). The new provision does not apply to meals, for which a 25% deduction is allowed.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 July 2015, the Danish tax authority plans to introduce the reverse-charge mechanism for oil and gas transactions.

Dominica

Effective 1 August 2014, VAT is no longer charged on items valued at less than XCD150 that are imported via courier and cleared under the "de minimis" system. Under this system, qualifying items valued at less than XCD150 and imported via courier can be delivered directly to the beneficiary.

Effective 1 September 2014, VAT no longer applies to the service charge levied on guest accommodation, food and beverages by hotels, guest houses and restaurants.

Dominican Republic

Plans to reduce the standard VAT rate from the current 18% to 16% were canceled as the country's tax goals were not met.

Effective 1 January 2015, the reduced rate for goods such as dairy products, coffee, animal and vegetable edible fats, sugar, cocoa and chocolate was increased to 13% from 11%.

Ecuador

Effective 1 January 2015, the following VAT changes were introduced:

- Zero-rate VAT now applies to:
  - Household electric cookers operated exclusively by induction electrical mechanisms, including those with electric furnaces and household pots that are designed for use in induction cookers
  - Electric water heating systems for domestic use

Local VAT withholding applies to entities categorized by the tax authority as "special contributors."

Egypt

On 9 April 2014, the head of the Egyptian tax authority announced that Egypt may be introducing a VAT law that will replace the existing general sales tax system. An implementation date has not yet been announced.

The tax authority and the business community are discussing the draft VAT law. The most important features of the draft law are summarized as follows:

- VAT will apply on all goods and services whether produced or supplied locally or imported.
- A single standard VAT rate will apply instead of the multiple sales tax rates. The standard VAT rate is not determined yet, but it is expected to be 10% to 12%.
- Operations carried on in Free Zones will be subject to VAT. A special VAT refund mechanism will be introduced for inputs used by Free Zone companies and connected to export operations. The time limit to process refund claims will be shortened for Free Zone companies compared to other businesses.
- A zero VAT rate will apply to the following transactions:
  - Goods and services intended to be exported
  - Goods imported and intended to be used outside Egypt
  - Goods and services to be used to repair equipment that are imported to Egypt on a temporary basis
  - Goods intended for the exploitation of international transport means
  - Goods and services intended for military purposes imported by the Ministries of Defense and Interior and by specific national military agencies
  - A reverse-charge mechanism (VAT self-assessment) will be introduced for services supplied by nonresident suppliers to customers in Egypt. Overseas service providers will not charge VAT to their customers. Instead, the Egyptian customers will need to account for VAT on the received services through their periodic VAT return and pay the VAT due within 30 days from the date of service.
  - Accounting records and supporting documents will need to be retained for five years.

Estonia

On 1 October 2014, the new Motor Third-Party Liability Insurance Act entered into force, clarifying the circumstances under which the insurer should compensate for damages with or without VAT

Effective 1 November 2014, the obligation came into effect requiring taxpayers to submit a separate appendix to the VAT return each month that recognizes all invoices issued and received for goods and services that are taxable at the 20% and 9% VAT rates. This obligation has to be met when the total amount of issued invoices is at least (calendar month) €1,000 (without VAT) per business partner.

Effective 1 December 2014, the input VAT deduction on passenger cars is reduced to 50%.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

European Union (EU)

Effective 1 January 2015, new rules were introduced governing the place of supply of electronic services supplied by B2C. From that date, these services are taxed in the country where the consumer is established. As a result, EU taxable persons that supply electronic services (as well as telecommunications and broadcasting services) must charge VAT to non-taxable persons established anywhere in the EU, using the destination principle (i.e., by charging tax in the Member State where the customer is resident).

EU resident suppliers are permitted to discharge their VAT obligations using the MOSS. The MOSS enables them to fulfill their VAT obligations (VAT registration, reporting and payment) in their "home" country, including obligations for services provided in other Member States where they are not established. Accordingly, EU suppliers are able to apply a simplification measure similar to the one-stop shop that is already in place for non-EU providers of electronic services.

On 23 October 2013, the European Commission put forward a legislative proposal for a standard EU VAT return. The aim of the standard VAT return is to reduce administrative burdens for businesses, ease tax compliance and make tax compliance across the EU more efficient. The proposal envisages a simplified and uniform set of information that businesses will have to provide to tax authorities when filing their VAT returns, regardless of the Member State of submission. The standard VAT return, which will replace national VAT returns, will ensure that businesses are asked for the same basic information, within the same deadlines, across the EU. The Commission envisages that the proposed directive will enter into force on 1 January 2017. However, before this can happen, the Commission's proposal will have to be adopted by the Council, after consultation with the European Parliament.

The Commission has set up the EU VAT Forum, where business and tax authorities strive to improve the way VAT works in practice. One of the sub-groups within the EU VAT Forum is undertaking a project relating to cross-border rulings. At this stage, 15 Member States are participating in this project. The intention is to improve legal certainty for companies about the VAT treatment of their cross-border transactions, which can give rise to a degree of uncertainty. Among other conditions, cross-border rulings can be requested by a business or a participating Member State if the transaction is complex and has a cross-border aspect involving two or more Member States.

Finland

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 January 2015, a domestic reverse-charge regime applies to the trade in waste and scrap metals (new article 8 d of the Finnish VAT Act). Under the reverse-charge mechanism, the buyer will be liable to VAT instead of the seller. The reverse-charge mechanism applies if the following conditions are all met:

- Both supplier and purchaser are VAT-liable businesses.
- The goods supplied domestically in Finland are scrap metal and metal waste (in accordance with definitions presented in Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Code).

Effective 1 January 2015, the low-value consignment relief of €22 (approximately US$30) for imports of newspapers and magazines published once a week or less frequently has been removed. The provision providing for a minimum payable import VAT amount of €5 (approximately US$7) is also not applied to such imports. The purpose of the proposed change in the VAT legislation is to prevent the circulation in Finland of newspapers and magazines via the Aland Islands, which are outside the territory of the EU for VAT purposes.

France

For tax audits carried out from 2014 onward, non-established foreign companies that are registered for VAT in France have to provide their accounting information (accounting or special ledger) in dematerialized format under a specific format named as the "accounting entry file." This makes it possible to justify transactions declared in France on their VAT returns. The penalty for noncompliance with this requirement is a fine of €5,000 per missing or noncompliant file. The penalty amount can be increased, in the event of reassessment, to 10% of the reassessed duties if this amount is higher, or even in some cases the implementation of the discretionary tax assessment procedure along with the application of the heavy penalties resulting therefrom.

Effective 1 October 2014, the French tax authorities require all foreign companies to use e-procedures to file French VAT returns. To comply with this new requirement, foreign companies need to sign a specific proxy by which they authorize their advisors to create a subscriber account in the name of the company on the French tax website and to sign up for online services. Only VAT returns must be filed on the website; VAT payments must still be made by bank transfer directly by the foreign company to the French tax authorities, and VAT refund claims are still to be filed on paper. Nonresident entities are not required to have a French bank account.

Effective from January 2015, the key indirect tax provisions of the Finance Bill entering into force are as follows:

- The extension of the reverse-charge mechanism to import VAT due upon the importation of goods into France. The Finance Bill introduces the possibility under strict conditions to apply the reverse-charge mechanism to import VAT due upon the importation of goods into France. In practice, this measure may allow eligible operators to avoid the cash outflows associated with import VAT (and corresponding financial costs), as it is already allowed in 16 other EU

France (continued)

Member States. This regime would be applicable only to operators certified by the French customs authorities to use the simplified customs clearance procedure for exports, as well as foreign companies that satisfy certain conditions.

- The bill introduces industry-specific anti-fraud measures to strengthen the current provisions against VAT fraud in the following industries:
    - In the retail motor industry, VAT will apply on the profit margin for sales of used vehicles. The fiscal certificate (which is necessary to license the vehicle in France) will be granted only if the seller can provide proof of the VAT regime applied by the foreign initial vendor that owns the certificate of registration of the vehicle.
    - In the construction industry, newly created companies will be subject to the standard VAT regime without any possibility to elect for the simplified regime during their first two years of activity. They will thus be subject to filing requirements on a regular basis (i.e., monthly or quarterly, instead of annually as allowed under the simplified taxation regime).

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

France and overseas departments (French Guyana, Guadeloupe, Martinique, Réunion, Saint Martin and Saint Barthélemy)

On 1 October 2014, the Finance Bill for 2015 (Projet de Loi de Finances pour 2015, or PLF) was adopted by the Council of Ministers. This bill announced a reduced VAT rate of 5.5% for the supply of new homes for low-income households in new urban priority areas.

French Polynesia

Effective 2015, sales of new vehicles partially powered by electricity, and sales of their components, parts and accessories, are exempt from VAT.

Georgia

Effective 1 June 2014, a special VAT taxation regime on imported goods was abolished. Previously, if a taxpayer paid VAT in excess of GEL200, 000 (approximately US$100,000) in any 12-month period, it was possible for it not to pay any VAT on imports of goods into Georgia. VAT exemption at import still applies for the importation of goods that are in any event exempt from VAT.

Germany

Effective 1 October 2014, a new VAT return form was introduced. The main changes to the form are:

- Boxes 68, 78 and 79: In the past, the reverse-charge mechanism included only supplies of mobile telephones and integrated circuits. As of 1 October 2014, supplies of tablet computers and games consoles (e.g., Xbox) are also subject to the reverse-charge mechanism and thus must also be reported in box 68 of the preliminary VAT return (by the supplier) in boxes 78 and 79, respectively (by the customer). The description of these boxes has been extended accordingly.
- Boxes 60, 84 and 85: From October 2014, supplies of precious metals and/or base metals are also subject to the reverse-charge mechanism and thus have to be reported in box 60 of the VAT return (by the supplier) and in boxes 84 and 85 (by the customer).

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 January 2015, the supply to a taxable person of precious metals and/or base metals as listed in Appendix 4 of the German VAT Act is subject to the reverse-charge mechanism if the invoiced amount for the entire transaction is at least €5,000. (This reverse charge was introduced on 1 October 2014 and applied to all taxable persons.) Appendix 4 has also been reduced and a period of grace has been introduced by for the supply of metals listed in Appendix 4. According to this decree, the parties make use of the rules applicable before 1 October 2014 (i.e., not using the reverse charge) until 30 June 2015.

Effective 1 January 2015, amended rules for voluntary self-disclosure apply. A valid voluntary self-disclosure now requires that all cases of unreported tax within a 10-year period are disclosed (even in cases where the tax statute of limitation is for five years). The threshold from which an individual case of unreported taxes triggers an additional surcharge (per year and tax type) has been decreased to €25,000 (previously €50,000). The surcharge on the additional tax levied gradually increases from 10% to 20% depending on the unreported amount.

Ghana

On 4 November 2014, Ghana's Ministry of Finance, in collaboration with Ghana Community Network Services Limited, formally launched the Ghana Revenue Authority (GRA) taxpayer portal. This platform is geared toward modernizing and automating the GRA's business processes. It is designed to improve the efficiency of the compliance processes of taxpayers by providing them with the following online services:

- Registration
- Tax management
- Tax return filing
- Tax payment
- Exemption applications

Effective 1 January 2015, the following indirect tax measures apply:

- The imposition of VAT on fee-based financial services.
- The imposition of a 5% flat VAT rate on real estate transactions.
- The establishment of an efficient refund system to cover duty drawback, VAT refunds and corporate tax overpayments.
- The removal of VAT on locally produced pharmaceuticals and some of the raw materials used for the production of these pharmaceuticals.

Greece

For tax years ending after 1 January 2014, the requirement to submit annual VAT returns has been abolished. For filing periods commencing after 1 January 2015, the periodic VAT return has been amended, particularly the layout of the return.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Hungary

The Minister for National Economy published a new decree that changes the rules on the identification of invoices and cash receipts for tax administration purposes and the rules on the tax authority audit of invoices stored in electronic format. Although this decree came into force on 1 July 2014, certain provisions apply only from 1 October 2014 as follows:

- Businesses have an obligation to inform the tax authority of the software they use for issuing invoices and of their use of online invoicing systems. Reporting should be done on the relevant form within 30 days after obtaining or starting using the program.
- Invoicing software can be sold only to registered taxpayers. The supplier of the invoicing software must include the tax number of the customer (i.e., the entity using the invoicing software) on the invoice.
- The user of the invoicing software should possess detailed documentation on the software (irrespective of whether the software was acquired from others or was self-developed). The documentation should contain a detailed description of the software operation and its functions. The invoicing software should perform only functions that are detailed in the user documentation.
- Developers are not obliged to provide a declaration concerning the compliance of the software with the legislation, but they are required to retain complete documentation about the software.

After Parliament agreed to the 2015 tax package, several amendments to the VAT law were adopted, including:

- If, during a barter transaction, a party receives any advances in kind (not cash) from the other party, (i.e., products or services) the advance payment in kind also generates a tax liability for the party receiving it. As with cash advances, advances in kind are considered to be inclusive of the amount of tax due.
- Based on a judgment of the Court of Justice of the European Union (CJEU), the VAT Act provides that portfolio management is not a tax-exempt service. However, the management of certain insurance asset funds remains within the scope of VAT-exempt portfolio management services.
- Foreign taxable persons were previously not required to obtain a VAT number in Hungary if they supplied goods located in VAT warehouses and the goods were not released from the warehouse, or if the goods were released for dispatch to third countries in the framework of export customs procedures. Foreign taxable persons may now also be exempt from Hungarian VAT registration, if the release was performed under the legal title of intra-Community supply of goods and if the remover of the goods agrees with the operator of the warehouse in writing that the warehouse operator takes over the reporting of the intra-Community supply of the goods. In such cases, the warehouse operator and the

foreign taxable person performing the intra-Community supply of goods are jointly and severally liable for complying with any tax liabilities.

- A number of changes to the domestic reverse charge came into effect, including:
  - The supply of property created by construction and assembly work is now subject to the reverse charge if the supplier is not established in Hungary for economic purposes.
  - Staff leasing services are subject to domestic reverse-charge VAT.
  - Using services provided by school cooperatives is subject to reverse-charge VAT.
  - Certain metal products are now subject to domestic reverse-charge VAT.
- The supply of live specimens or slaughtered and chopped (to some extent) meat of certain large animals (such as cattle, sheep and goats) is subject to 5% VAT.
- The approved VAT deduction changes include:
  - Input VAT on gasoline is deductible if the gasoline is used in such a way that its cost is built into the tax base of the supply of other goods.
  - A taxpayer's input VAT deduction rights become permanently unavailable when the resolution prescribing the cancellation of its tax number comes into force (provided the tax number has not been suspended previously).
  - It is now possible, in certain circumstances and subject to the general rules, to deduct 50% of the VAT on the repair and maintenance of secondhand cars supplied by resellers.
- A taxable customer's tax number must be shown on invoices containing VAT of more than HUF1 million (previously HUF2 million).
- A binding tax ruling resolution may be requested concerning the calculation method used for the partial exemption input VAT pro-rata.
- VAT returns changes include:
  - Newly registered taxable persons must now submit their VAT returns monthly in the first year.
  - In cases of corporate restructuring (such as transformation, merger or demerger) the newly created taxpayer must submit its VAT returns in line with the VAT reporting frequency of the organization undergoing the restructuring. If there were multiple predecessor organizations before the restructuring and they were subject to different reporting frequencies, the reporting frequency of the predecessor subject to more frequent reporting obligations must be applied after the restructuring event.
  - If a quarterly VAT taxpayer exceeds the €50,000 threshold for the intra-Community acquisition of goods, it must change to submitting Recapitulative Statements monthly (previously, this threshold and the obligation to change to monthly submissions applied only to intra-Community supplies of goods).
  - The VAT threshold requiring invoices to be shown in domestic VAT summary reports has been reduced from VAT of HUF2 million to VAT of HUF1 million. Invoices containing VAT values below the threshold may also be reported, but attention must be paid to the fact that if an invoice that has been previously reported is subsequently corrected, the correction should also be reported (regardless of whether the VAT amount of the original reported invoice was above or below the threshold).

Effective 1 January 2015, the Electronic Control System of the Movement of Goods on Road (EKAER) was introduced so that the tax authority can track the movement of goods on road from the point of dispatch. Under this system, taxable persons have a reporting obligation in relation to the road transportation of goods executed with toll vehicles for the following transactions:

Hungary (continued)

- Acquisition of goods or transport of goods for other purposes from other Member States
- Supply of goods or transport of goods for other purposes to other Member States
- First taxable domestic supply of goods (except if performed directly to final consumers)

Under the EKAER system:

- The taxable person is required to record certain information, such as:
  - Data regarding the sender and dispatch address
  - Data on the addressee/recipient and off-loading address
  - Information in connection with the goods (general name, customs tariff number, gross weight, value)
  - License plate number of the transport vehicle
- The reporting should be done before the transportation starts. Each transportation event should be reported separately, and each event therefore has a different EKAER number.
- Only taxable persons with a valid EKAER number are entitled to carry out the supply and acquisition of goods via road transportation.
- Stricter rules apply to risky foodstuff and other risky goods if transported by road (e.g., the reporting obligation arises not only in the case of the road transportation carried out by toll vehicles, and the taxable person should provide a risk guarantee).

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 January 2016, new time-of-supply rules apply to continuous supplies and to supplies that are settled periodically (with respect to accounting, auditing and tax advisory services, in force from 1 July 2015):

- In general, the date of supply is the last day of the period concerned.
- If the date of issuing the invoice (receipt) and the payment deadline both fall before the last day of the period concerned, the issue date of the invoice (receipt) is treated as the date of supply.
- If the payment deadline falls on a later date than the last day of the period in question, but not later than the 30th day following the last day of that period, the payment deadline is the date of supply.
- If the payment deadline is later than the 30th day following the last day of the period concerned, the date of supply is the 30th day following the last day of the period in question.

Iceland

Effective 1 January 2015, the standard rate of VAT in Iceland was reduced to 24% (from 25.5%). The reduced rate of VAT was increased to 11% (from 7%).

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

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

India

The Indian Government has been working on replacing the current indirect tax regime with a comprehensive GST. In its current form the GST proposes to be a "dual" GST, consisting of Central GST (CGST) and State GST (SGST). The current proposed date for introduction is April 2016. The introduction of GST requires amendment to the Constitution of India. It is expected that the GST Constitution amendment bill will be placed before the Parliament in 2015 for approval. If the constitution amendment carries through, the government is likely to introduce draft GST legislation in 2015 for public comment.

Indonesia

In June 2014 the Directorate General of Taxation (DGT) announced its plan to require all taxpayers to use electronic VAT invoices. The plan is aimed at minimizing the administrative burden of VAT invoices and to improve tax compliance. The requirement to use electronic VAT invoices is being introduced in three phases, as follows:

- Effective 1 July 2014, 45 selected corporate taxpayers were required to issue electronic VAT invoices.
- Effective 1 July 2015, electronic VAT invoices are mandatory for corporate taxpayers registered in the 17 regional tax offices in the islands of Java and Bali.
- Effective 1 July 2016, all taxpayers nationwide will have to use electronic VAT invoices.

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

- It is compulsory for the taxpayer to prepare electronic VAT invoices for:
    - The supply of taxable goods and taxable services within the customs zone
    - The delivery of taxable goods in the form of an asset where the initial purpose is not for trade
- There is exemption from the requirement for electronic VAT invoices for the supply of taxable goods or services from:
    - A retailer
    - A retail shop that sells to foreigners
    - Taxpayers who may use other documents instead of VAT invoices, e.g., tax payment receipts for the use of foreign intangible goods or receipt of supply of telecommunication services
- The format and information disclosed in the electronic VAT invoice are basically similar to the non-electronic VAT invoice, but with an electronic signature.
- The invoice must use the Indonesian rupiah as the currency. Foreign currency invoices must be converted using Minister of Finance (MoF) rate as per the date the electronic VAT invoice is made.
- For canceled invoices, the taxpayer issuing the invoice must cancel the electronic invoice by using the application provided by the DGT. If the information in the invoice is incorrect, the taxpayer may create a replacement invoice through the application system.
- The reporting of electronic VAT invoices is done by uploading to the DGT application and receiving the approval from the DGT for each invoice. Electronic VAT invoices

Indonesia (continued)

without approval from the DGT are not considered to be VAT invoices. However, it is not compulsory to print a hard copy of the electronic VAT invoice.

- For lost or damaged data in respect of an electronic invoice, the taxpayer can ask for the data from the DGT through the tax office where the taxpayer is registered, provided that the data has been uploaded to the DGT application.
- The taxpayer may also choose not to use electronic VAT invoices and to use hard-copy VAT invoices instead in certain situations, e.g., during war, riots, natural disasters, strikes or fire. Thereafter, the data pertaining to the invoices must be uploaded to the DGT application.

Iraq

Currently, there is no VAT or GST system in Iraq, although a sales tax (currently 10%) applies to hotels, restaurants and tourism-related sales. Additionally, the Amended Draft Budget for 2015 was presented on 14 December 2014 and includes a proposal to introduce a 20% sales tax on cell phone recharge cards and internet service and a 15% sales tax on the purchase of cars and travel tickets, with effect from 1 January 2015. However, at the time of this writing, Parliament had not yet passed or finalized the budget.

Ireland

Effective 1 January 2014, a VAT adjustment is required for input VAT claimed but not paid. If a person has deducted VAT in a taxable period but has not, within six months from the end of that taxable period, paid the supplier for the goods or services, then the amount of VAT deductible must be reduced by the amount of VAT relating to the unpaid. A readjustment is provided for in the event of subsequent payment or part payment for the goods or services. Any adjustments or readjustments should be done using the corresponding periodic VAT return(s). The first VAT period in which this requirement applied was July/August 2014.

Effective 23 December 2014, the following VAT changes also apply:

- The same VAT rates apply to the supply of tea and the supply of herbal teas (zero rated).
- Documents related to a VAT issue that is the subject of a Revenue inquiry, a claim, an appeal or other proceedings, should be retained for a period of six years or, if longer, until such inquiry, appeal, etc., is concluded.
- In an anti-evasion measure, the Revenue can issue a notice requiring a business person to issue, in respect of each supply for which a VAT invoice is not issued, a document that contains all of the particulars required on a VAT invoice. The maximum period for which a notice can have effect is two months. Provisions are also made for a penalty to apply in the event of failure to issue the required document.
- A further anti-evasion measure provides for the imposition of joint and several liability in certain circumstances. The Revenue can make a person jointly and severally liable for any tax due in relation to a transaction where that person participates in a supply or series of supplies of goods or services where they know, or are reckless as to whether or not, the supply or series of supplies is connected with the fraudulent evasion of VAT.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C.

Ireland (continued)

The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1January 2015, the farmers' flat-rate addition was increased to 5.2% (from 5%). The flat-rate addition compensates farmers who are not registered as taxable persons for VAT incurred on their farming expenses.

Effective 1 March 2015, the scope of VAT exemptions is extended to:

- Green fees payable by visitors to member-owned and non-profit-making golf clubs. The extension of the exemption was necessitated by the judgment of the Court of Justice of the European Union in December 2013 in the Bridport and West Dorset Golf Club case, in which the court held that certain categories of persons could not be excluded from the benefit of the VAT exemption. Notwithstanding the effective date of the legislation, taxable persons can apply for a refund of VAT already paid on the supply of the above services for the previous four years.
- The management of certain defined contribution pension schemes. The extension of the exemption was necessitated by the judgment by the Court of Justice of the European Union in the ATP Pension Service A/S case. The court held that defined contribution pension schemes are analogous to "special investment funds" and should benefit from the VAT exemption for the management of such funds. Notwithstanding the effective date of the legislation, taxable persons can apply for a refund of VAT already paid on the supply of the above services for the previous four years.

Israel

Effective 1 September 2014, two bills reducing the applicable VAT rate on specific real estate transactions came into force. The first bill introduced a zero VAT rate for the purchase of a first apartment by new homebuyers subject to certain conditions. The second bill introduced a zero VAT rate for services provided by construction enterprises to current homeowners for housing improvements as part of certain building-strengthening projects and demolition and building projects.

Effective 16 December 2014, the supervision, coordination and services of control in relation to the performance of clinical trials involving human testing are liable to VAT. The zero VAT rate applies when such services are provided for a nonresident.

Italy

Potential increases in the standard and reduced VAT rates have been announced from 1 January 2016 and will apply if Italy does not reach certain financial targets. The potential increases are planned as follows:

- Effective 1 January 2016, the standard VAT rate will increase by two percentage points from the current rate of 22% to 24%. A further increase of 1 percentage point is planned from 1 January 2017 (to 25%) and a further half percentage point from 1 January 2018 to 25.5%.
- Effective 1 January 2016, the reduced VAT rate will increase to 12% from 10% and then to 13% by 1 January 2017.

Effective 1 January 2015, a 4% VAT rate applies to e-books, which were previously subject to standard rate of 22%.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS

Italy (continued)

is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 January 2015, the domestic reverse-charge mechanism is extended to:

- The provision of cleaning services, building demolition services, provisions of installation systems and the services related to the completion of a building. Previously the reverse-charge mechanism applied only to building services rendered by the subcontractor to the contractor. These services are now subject to the reverse-charge mechanism with regard to both the services rendered by subcontractors to the main contractor and to services rendered by the main contractor to the principal or final client.
- The following transactions in the energy sector, for a period of four years:
  - The transfer of greenhouse gas emissions allowances as defined by article 3 of Directive 2003/87/EC
  - The transfer of other units that may be used by operators for compliance with the same Directive
  - The transfer of gas and energy to a taxable dealer (according to article 7-bis, paragraph 3, letter a). DPR 633/72)
- Supplies of recycled pallets
- The supply of goods to hypermarkets, supermarkets and discount stores (subject to approval from the EU)

Effective 1 January 2015, as a consequence of the extension of the application of the reverse-charge mechanism, taxable persons carrying out those transactions are allowed to claim the VAT credit refund.

Effective 1 January 2015, reduced penalties apply to a wider voluntary disclosure mechanism.

The voluntary disclosure rules can be applied even if the Italian tax authorities have started an investigation that the tax payer has been formally notified of except where an assessment has been issued.

Effective 1 January 2015, a number of simplification measures come into effect, such as:

- The amount of deductible input tax on business gifts is increased from €25.82 to €50.
- The threshold to determine the possible relevance for VAT purposes of free-of-charge services has also been increased from €25.82 to €50.
- The VAT credit refund procedure triggers the filing of a bank guarantee in favor of the tax authorities. The threshold under which a bank guarantee is not due is increased to €15,000 (from €5,164).
- VAT refund amounts higher than €15,000 may, in certain conditions, be subject to a "certification" rather than the filing of a bank guarantee.
- The Black List communication report is now due on annual basis (rather than a monthly or quarterly basis) and only for a total amount of transactions exceeding €10,000.

Italy (continued)

- The information to be provided in the Intrastat listings related to *intra-Community* acquisitions and supplies of services is reduced. Specifically, the mandatory information is now limited to the VAT number of the counterparty, the amount of the transaction, the code identifying the specifying service and the country of payment.
- Statistical penalties related to the Intrastat listings are due only for taxpayers exceeding specific threshold of dispatches (i.e., €750,000). Penalties will apply only once for each incorrect Intrastat form, regardless of the number of violations on that form.
- The communication of letters of intent report relating to exports must be submitted to the tax authorities by the frequent exporters and no longer by their suppliers. Suppliers are now able to issue VAT zero-rated invoices only upon receipt, from their customers, of the letter of intent and of the confirmation that it has been electronically filed successfully. In the case of default, fines ranging from 100% to 200% of the VAT not charged may apply.
- An entity that asks for the registration for VAT purposes and declares that it intends to carry out intra-Community transactions is automatically included in the intra-Community archive.
- A taxpayer will be excluded from the intra-Community archive if it has not submitted any Intrastat listings for four consecutive quarters.
- Taxpayers that wish to recover the VAT on bad debts are allowed to issue credit notes. This also applies where, under certain conditions, the defaulting purchaser is involved in a debt restructuring agreement or in a debt recovery plan.
- The definition of "primary residence" used for VAT purposes has been aligned with the definition used for registration tax. Therefore, the reduced VAT rate of 4% will apply to supplies connected with residential real estate, provided certain conditions are met.

Effective 31 March 2015, electronic invoicing is mandatory for supplies rendered to all public authority (PA) bodies, including local authorities (e.g., regions, provinces and municipalities). Electronic invoicing has been mandatory for supplies to some central administrations (ministerial bodies, tax agencies) and national social security and welfare bodies since 6 June 2014.

Effective 2016, the obligation to file the Annual VAT Communication has been abolished, and the deadline for filing the annual VAT return for FY2015 has been changed from 30 September 2016 to the end of February 2016.

Japan

The second phase of the consumption tax rate increase (from 8% to 10%) has been postponed from 1 October 2015 until 1 April 2017. The first phase of the consumption tax increase (from 5% to 8%) came into effect on 1 April 2014.

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

Kenya

On 13 October 2014, the Commissioner General of the Kenya Revenue Authority (KRA) expressed the willingness of the East Africa Community partner states (Burundi, Kenya, Rwanda, Tanzania and Uganda) to harmonize their tax systems, including VAT, by April 2015. Tanzania, Uganda and Rwanda all currently have a VAT rate of 18%, whereas Kenya currently has a VAT rate of 16%.

Kenya's budget for 2015 proposed the introduction of:

- The Tax Procedures Bill, requiring uniform tax administrative procedures for VAT, excise, duty and income tax.
- VAT regulations in line with the VAT Act, 2013 to clarify and streamline its implementation. These regulations, once enacted, will replace the VAT regulations applicable to the VAT Act 1989. The government is also setting up structures to ensure that the pending VAT refunds are fast-tracked.

Latvia

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic services supplied by B2C. Further details on this change can be found in the EU section of this chapter.

Lithuania

Effective 20 November 2014, services provided to their members by independent groups whose members are engaged in VAT-exempt activities or non-economic activities are exempt from VAT if the mutual expenses of the group are reimbursed by group members and a member does not pay more than its portion of the mutual expenses.

Effective 1 January 2015, Lithuania joined the euro area and started to use the euro as its national currency. Accordingly, the amounts in VAT returns must now be reported, and VAT amounts must paid, in euros.

As a result of the change in national currency, changes have been made to the VAT Law with respect to VAT thresholds. An obligation to register in Lithuania arises in the following circumstances:

- For VAT registration: if turnover exceeds €45,000 in the preceding 12 months
- For distance selling: if the value of distance sales of goods to Lithuania exceeds LTL125,000 in the previous calendar year or €35,000 in the current calendar year

Lithuania (continued)

- For intra-Community acquisitions of goods: where the value of intra-EU acquisition of goods exceeds €14,000 in the preceding 12 months

Effective January 2015, a reduced VAT rate of 9% applies to tourist accommodation.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 January 2015, the VAT margin scheme for tourism services applies where tourism services acquired from third parties as a single tourism service or a travel package are supplied to any customer (including persons engaged in resale).

The reduced VAT rate of 9% has been extended to 1 July 2015 for the supply of heat energy supplied for heating of residential houses (including the heating supplied through a hot-water supply system), hot water for residential houses, cold water used for the preparation of hot water, and heat energy used for heating of water. Originally, this reduction was planned to end on 1 January 2015.

Effective 1 July 2015, the local reverse-charge system will be to include certain construction services. A customer being a taxable person registered for VAT will bear the VAT payment liability. The Ministry of Finance is mandated to adopt the secondary legislation by 15 June 2015 on this topic.

Luxembourg

Effective 1 January 2015, the following VAT rate increases apply:

- The standard rate has increased from 15% to 17%.
- The intermediate rate has increased from 12% to 14%.
- The reduced rate has increased from 6% to 8%.

A further super-reduced rate of 3% continues to apply, except for the delivery of alcoholic beverages in catering services and the acquisition of dwellings intended for rental.

Effective 1 April 2015, there are plans to increase the flat VAT rate applicable to farmers from 10% to 12%.

Effective 1 January 2015, the VAT rate applicable to dwellings intended for rental increases from 3% to 17%, whereas the renovation work of rented dwellings continues to benefit from the 3% VAT rate. Furthermore, a transition period is proposed, since the super-reduced rate will be applied until 31 December 2016 for construction projects (intended for renting) for which the authorization request has been filed before 1 January 2015.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Malawi

Effective 1 October 2014, VAT exemption applies to:

- Imported raw materials used in the production of fertilizer and medicine
- Imported minibuses that are not older than five years with a seating capacity of 11 to 44 persons, including the driver

Malaysia

Effective 1 April 2015, GST at the rate of 6% will be implemented to replace the existing sales and services tax. A GST registration threshold of MYR500,000 will apply.

As part of Malaysia's 2015 budget, the Government has agreed to widen the scope of items proposed to be zero-rated for GST purposes from 1 April 2015.

These additional items include certain food items, pharmaceutical products listed under the national essential medicine list, and selected reading materials, such as reference books and newspapers. The government has also stated that retail sales of up to RON95 of petrol, diesel and liquefied petroleum gas to end consumers and targeted groups will not be subject to GST.

Maldives

Effective 1 December 2014, goods and services supplied by domestic air transportation service providers to citizens of the Maldives are subject to GST at the general rate of 6%. Services supplied to persons other than Maldivian citizens continue to attract GST at the tourism rate of 12%.

Effective 1 December 2014, goods and services supplied by shops located in tourist establishments are subject to GST at 6% if they are operated exclusively for the employees of the establishment.

Malta

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 January 2015, the following changes apply:

- VAT registration became mandatory for any person who carries out an economic activity, regardless of the yearly turnover.
- E-books are subject to the reduced VAT rate of 5% (previously standard-rated).
- A scheme that allows visitors from outside the EU to obtain a VAT refund before leaving Malta has been introduced.
- The right of refund is extended to expenses relating to taxable supplies that take place outside of Malta that would have been treated as exempt without credit supplies if they took place in Malta.

In addition, in the 2015 budget speech, it was announced that current exemption from VAT registration for Maltese established taxable persons who do not exceed the €7,000 annual turnover threshold shall be removed (no effective date has been communicated as yet).

Mexico

Effective 1 January 2015, all temporary importations made by IMMEX companies are subject to VAT at the rate of 16%. Import VAT was previously not applied when goods were temporarily imported into Mexico (e.g., under an IMMEX program). The VAT payment is recoverable under a credit, offset or refund procedure. To apply the immediate credit, and thereby avoid the adverse cash flow implications arising from the payment of VAT for each import, companies may apply to become certified for purposes of VAT/excise tax. The rules for certification have been published, and companies should apply for certification with the appropriate customs regional administration for each company (based on tax domicile). Companies that do not elect to become certified may also secure a "bond" to minimize the cash flow implications from the payment of VAT on temporary importations.

Effective 1 January 2015, taxpayers in Mexico are required to file accounting information with the tax authorities electronically on a monthly basis. Accounting and IT systems must be set up to upload the electronic trial balance and electronic account registries through the tax authority's mailbox.

On 30 December, the Fifth Resolution of Amendments to the Miscellaneous Tax Resolution for 2015 was published on Mexico's Tax Administration Service (SAT) website. This resolution includes several new rules several new rules related to VAT refunds as follows:

- Taxpayers engaging in the production and distribution of food products may obtain rulings on their refund claims for recoverable VAT balances within a maximum of 20 business days.
- Taxpayers engaging in the production and distribution of medicines may obtain rulings on their refund claims for recoverable VAT balances within a maximum of 20 business days. engaging in fixed-asset investment projects consisting of purchasing or manufacturing goods (including the provision of services or the granting of the temporary use or enjoyment of goods related to the purchase or manufacturing of goods) may obtain rulings on their refund claims for recoverable VAT balances generated on those investments within a maximum of 20 business days.

Morocco

Effective 1 January 2015, the following changes apply:

- The VAT rate on solar water heaters is reduced from 14% to 10%.
- Electronic filing and payment is now mandatory for all self-employed professionals.

Namibia

The VAT registration threshold in Namibia is expected to be increased to NAD500,000. The effective date is uncertain at this stage. Changes are also expected to the voluntary registration process, but at the time of this writing, there is no further information available.

Netherlands

The reduced 6% VAT rate for home repairs and renovations has been further extended until 1 July 2015, provided the home is at least two years old and the work must be completed before 1 July 2015. The reduced rate does not apply to the materials used.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic services supplied by B2C. Further details on this change can be found in the EU section of this chapter.

Effective 1 January 2015, taxpayers have the option to have VAT refunds paid into a bank account not held in the taxpayer's name. This amendment makes it easier to have VAT refunds transferred into a (third-party) bank account designated by the taxpayer. This will simplify processes mainly in the context of intercompany transactions and factoring arrangements.

Nicaragua

Effective 18 December 2014, the reverse charge applied by VAT taxpayers purchasing taxable goods or services from entities not established in Nicaragua was abolished. As a result, services rendered in Nicaragua by an entity located abroad are no longer subject to VAT.

Niger

The Niger Finance Bill 2015 proposes the following VAT changes:

- An option to tax should apply to the transport of goods and the transport of persons.
- The sale and the resale of uranium and related minerals and derived substances should be subject to VAT (previously exempt).
- The exemption from VAT of land, river and rail transport should apply only to the part of the transport that takes place outside Niger's national territory.

Nigeria

Effective 25 July 2014, charges on certain stock exchange transactions will be exempt from VAT for a period of five years. The VAT exemption applies specifically to commissions or fees:

- Earned on traded shares
- Due to the U.S. Securities and Exchange Commission (SEC), the Nigerian Stock Exchange (NSE) and the Central Securities Clearing System (CSCS)
- This exemption is aimed at encouraging the increase in stock exchange transactions by bringing down the average cost of transactions on the stock market.

Norway

Effective 1 January 2015, new VAT deduction rules for rental and leasing cars came into effect. The car must now be owned for four years (compared to three years previously) to gain a full input VAT deduction. At the same time, greater depreciation of VAT is applied in the first year than in the three subsequent years.

Effective 1 January 2015, the minimum limit for liability to pay import VAT when importing goods into Norway was increased from NOK200 to NOK350.

Pakistan

Effective 1 July 2014, a further sales tax sanction applies to unregistered taxpayers. Currently, an additional tax at 1% is charged to persons who are not registered for sales tax purposes. From 1 July 2014, this 1% additional tax must be excluded in the calculation of the adjustment for input tax.

Effective 1 January 2015, the sales tax rate on certain petroleum products was increased from the standard rate of 17% to 22% in order to counter the revenue shortfall in view of the fall in prices of crude oil. A further increase in sales tax to 27% on these products came into effect on 1 February 2015. The petroleum products affected are as follows:

- Gasoline, including high-octane blending component (HOBC)
- Kerosene
- Light diesel oil
- High-speed diesel oil

Papua New Guinea

Effective 1 January 2015, company directors have personal liability if the company defaults on its GST obligations.

Paraguay

Effective 1 January 2015, raw agricultural products (i.e., fruit and vegetables) are subject to VAT at 5% (previously exempt).

Peru

Effective 1 July 2014, Peru reduced the rate of the VAT withdrawal applicable to certain services from 12% to 10%. The new rate applies to services such as:

- Legal
- Accounting
- Market research
- Architecture, engineering and activities related to technical assistance
- Business consulting regarding business management
- Advertising

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

Poland

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

On 18 August 2014, the Polish Ministry of Finance launched a new tax portal as part of the 2014–17 tax reform package. Among other things, the tax reform package aims to improve tax compliance and to increase the efficiency of the tax administration.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 July 2015, the deduction of input VAT on fuel expenditures for vehicles with a maximum weight of 3.5 tonnes intended for "mixed" use (i.e., for the purposes of taxable economic activity and private use) has been restricted to 50%.

Portugal

The planned increase of the Portuguese VAT rate (from 23% to 23.25% from 1 January 2015) has been canceled.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Puerto Rico

The Government has announced that it is in the final phases of preparing a new tax reform package (expected to be introduced by 15 February 2015) that will include the introduction of a VAT system to replace the existing sales and use tax system applied at the Commonwealth and municipal levels. At the time of this writing, an expected implementation date or proposed rates have not been publicized.

Effective 1 August 2014, the following changes apply to sales and use tax (SUT):

- All imported goods are subject to SUT and the importer of record is responsible for the payment of the tax. Importer must submit a "declaration of imports for use" and pay the corresponding tax before the goods are released. If the importer is a bonded importer, the payment is postponed until the 10th day of the month following the import.
- Importers must file a monthly "use tax on imports return" on or before the 10th day of the month following the importation of the goods. This return is a summary of all the declarations filed throughout the previous month and generates a credit to be claimed on the monthly SUT return.
- Importers must also file a monthly SUT Return on or before the 20th day of the month, following the month in which the tax was collected.
- All importers are required to create an account in the integrated portal of merchants system (PICO) and all filings and payments must be made electronically through this system.

Romania

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Russia

Effective 1 January 2015, a new VAT return was introduced in Russia. The new VAT return requires additional sales and purchase data, such as:

- Data from the taxpayer's purchase book and sales book
- Data from the logbook of incoming and outgoing VAT invoices where the taxpayer acts as an intermediary

As a result, the VAT return reporting will be on a transaction-by-transaction basis, giving the Russian tax authorities the ability to match information reflected in the seller's VAT return with the information in the buyer's VAT return. As a result, the tax authorities will be able to identify mala-fide tax payers without performing a tax audit. Case law confirms that if the seller did not account for VAT and the buyer did not act due-diligent when accepting the seller as a supplier, this VAT can be assessed from the buyer.

On 20 August 2014, a draft law was published proposing the introduction of a new sales tax in Russia, but on 18 September 2014, the Russian Government decided to cancel these plans.

Saint Lucia

Effective 1 November 2014, certain pharmaceuticals are exempt from VAT.

Seychelles

Effective 1 September 2014, the statutory period to process any VAT refund was reduced from 45 to 30 days.

Slovak Republic

Effective 1 January 2015, the standard VAT rate is 20%. Plans to revert to the previous standard VAT rate of 19%, once the state budget deficit falls below 3% of GDP, have been abandoned.

Effective 1 October 2014, the threshold for the submission of quarterly EC Sales List was decreased from €100,000 to €50,000.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 January 2015, the Ministry of Finance publishes a list of taxpayers' names on its website detailing amounts of unpaid tax. The list should also contain taxpayers' tax identification numbers and the amount of tax due in descending order.

Effective 1 January 2015, the deadline for submission of the VAT Ledger is 25 days after the end of the relevant tax period. The deadline is no longer tied to the date of the VAT return filing.

Effective 1 July 2015, the tax authority may, when conducting a tax audit, decide to refund part of the excess VAT deduction to which a taxpayer is entitled, even before the end of the tax audit.

Effective 1 January 2016, the cash accounting scheme is planned to be implemented.

Slovenia

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 January 2015, important procedural changes apply regarding VAT refunds claims for taxable persons not established in Slovenia (in accordance with the 8th and 13th EU VAT Directives). The VAT Act amendment introduced a special regime, which aims to significantly relieve the administrative burden for foreign entities that occasionally provide services of international road transport for passengers. As opposed to the current situation, such entities will be required to file the tax return only once per year.

The government has announced plans to introduce Tax Cash Registers for all entities engaged in economic activities in Slovenia. It is intended that the Tax Cash Registers will be connected directly and in real time with the information system of the financial administration, which will allow for a better overview of the business and easier detection of fraud. It is hoped that this will ultimately broaden the tax base. The government plans to introduce the Tax Cash Registers by 1 September 2015 with effect from 1 January 2016.

South Korea

Effective 1 July 2015, South Korea applies VAT on electronic services purchased by South Korean customers from abroad. At the same time, it requires foreign service providers of electronic services to register with the South Korean tax authorities through the simplified business registration system.

Effective 1 January 2015, the scope of the VAT exemption for financial and insurance services has been reduced.

Spain

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Effective 1 January 2015 the following VAT changes apply:

- Following a Court of Justice of the European Union (CJEU) judgment, certain sanitary products are now taxed at the 21% standard rate instead of the reduced VAT rate of 10%.
- The place of supply for goods for installation or assembly in Spain before the goods are used is considered to be in Spain, provided that the goods are installed in Spain regardless of the cost of installation.
- Following a CJEU judgment, the special scheme for travel agencies introduces changes regarding who is liable, the calculation of the taxable base and the rules on the invoices documenting supplies performed under this scheme.
- The taxable amount for transactions undertaken for non-monetary consideration is now the amount agreed to between the parties, instead of the market value.
- Subsidies directly linked to price are not included in the taxable amount, and those not linked to the price of the transaction are excluded.
- For partially exempt business, the special pro rata must be applied when the deduction percentage resulting from applying the general pro rata exceeds the amount recoverable using the special rule by 10% (previously 20%).
- A transfer of a businesses or part of a business as going concern (TOGC) will not be subject to Spanish VAT, provided that the business constitutes or is able to constitute an autonomous economic unit for the seller.
- Public entities performing operations that are both subject to and not subject to VAT are able to deduct input VAT "on a reasonable basis."
- New periods are established in connection with the modification of the taxable base corresponding to bad debts.
- The reciprocity VAT treatment requirement is withdrawn for the recovery of VAT by non-established businesses for VAT borne on hotel, restaurant and transport services linked to the attendance of fairs or exhibitions.
- New domestic reverse-charge cases are applicable to the supply of:
  - Silver, platinum and palladium
  - Mobile phones
  - Video game consoles, laptop computers and digital tablets sold to taxable persons (B2B), above a threshold of €10,000 (excluding VAT).
- It is possible to waive the VAT exemption on real estate operations if the acquirer of the real estate has a partial or total right to deduct the input VAT borne or if the real estate is destined to be used in operations for which the acquirer can deduct input VAT.
- New infractions with their corresponding sanctions are included in connection with works on real estate and imports of goods.
- New rules have been implemented on the subjective scope of VAT grouping (i.e., on the relationship between entities that apply the special scheme) and how the proportion rule is calculated.
- The threshold applicable to free supplies of promotional goods (gifts) is increased from €90.15 to €200.

Effective 15 January 2015, taxpayers are obliged to issue electronic invoices for supplies to public entities.

Effective January 2017, a new reporting system for invoices called the Immediate Supply of Information (ISI) system will

Spain (continued)

come into force. Detailed information regarding this system is not yet available, but the basic features have been outlined by the Spanish tax authorities:

- The regime will be mandatory for entities whose turnover exceeds €6,010,121 per year, as well as companies applying the monthly refund scheme and VAT groups.
- Other taxpayers may apply for the regime on a voluntary basis.
- A taxpayer using the ISI system will be obliged to upload data related to its invoices within four days of issue or receipt.
- To meet these additional compliance obligations, the deadline for submitting VAT returns will be extended from the 20th to the 30th day of the following month.
- Once the ISI system comes into effect, the taxpayers will not be required to file the existing informative returns consisting of the annual information return on transactions with third parties (Form 347), the annual summary (Form 390) and the VAT books information return (Form 340).

Sri Lanka

Effective 1 January 2015, the standard VAT rate was reduced to 11% from 12%. From the same date, the VAT registration threshold was increased to LKR15 million (US$0.1 million) per annum.

Suriname

A VAT is expected to replace the current Turnover Tax. It is now due to be introduced from 1 January 2016 (postponed from 1 January 2014).

Sweden

Effective 1 January 2015, the following changes apply:

- The limit for simplified invoices increased from SEK2,000 to SEK4,000.
- Purchases of dental goods are exempt from VAT only if the goods are supplied by dentists or dental technicians. All other transactions involving dental goods are considered to be taxable transactions.
- Companies registered for VAT in Sweden must report their VAT due on importations to the Swedish tax agency instead of paying the tax to Swedish customs (Sw Tullverket). As a result, import VAT must now be included in the regular VAT return.
- New rules were introduced across EU Member States governing the place of supply of electronic, telecommunication and broadcasting services supplied by B2C. The simplified procedure of registration and accounting for VAT under the MOSS is also extended to EU suppliers. Further details on these changes can be found in the EU section of this chapter.

Switzerland

Effective 1 January 2015, foreign companies are liable for VAT in Switzerland if they provide domestic supplies subject to the reverse charge and the revenue generated from the supplies exceeds CHF100,000 per year.

Effective 1 January 2015, a pension fund may once again become a member of a VAT group.

Tanzania

The Parliament has approved VAT Bill 2014. The main changes proposed in this bill are:

- A widening of the tax base by a significant reduction of the number of exempt items, removal of the special relief schedule and removal of a number of items from the zero-rate schedule.
- Application of VAT to cross-border supplies of electronic and telecommunications consumed in Tanzania.
- Publication of the list of VAT registered persons.
- Exemption from VAT for the tourism sector in respect of tourist, game-driving water safaris and ground transport services, park fees, and animal or bird watching. The exemption will be limited to one year from the date the new VAT Act commences.
- A mandatory disclosure of a VAT price list to include VAT amounts and to be displayed openly by the taxable person.
- Nonresidents carrying on economic activity without having a fixed place in the United Republic of Tanzania will be required to appoint a VAT representative.
- Taxable persons will be required to account for both input and output tax in respect of imported services in the same VAT return in which tax credit is claimed.

Thailand

Effective 1 January 2015, additional content is required on tax invoices, VAT credit and debit notes, and VAT reports.

Additional information required on tax invoices, VAT credit notes and VAT debit notes include:

- Tax identification number of the customer who is registered for VAT
- Identification of the business place's details of supplier and customer
- Head office and branch office must be identified as such

Additional information required in the VAT reports:

- Input VAT reports:
  - Tax identification number of the seller of goods or services
  - Identification of the place of business of the seller of the goods or service, which is presented on the tax invoice, VAT credit notes and VAT debit notes as "Head Office" or "Branch Number …"
- Output VAT reports:
  - Tax identification number of the customer who is registered for VAT
  - Identification of the business place's details of the customer who is registered for VAT, which is presented on the tax invoice, VAT credit notes and VAT debit notes as "Head Office" or "Branch Number …"

Tunisia

Effective 1 January 2015:

- The VAT rate is reduced to 12% from 18% on the supply of electricity intended to be used for household purposes, irrigation equipment to be used in agricultural activities, and specific oil products.
- Various smoking cessation products are exempt from customs and excise duties and are instead subject to a reduced 12% VAT rate.

Turkmenistan

Effective 21 November 2014, new VAT exemptions became effective for the following supplies:

- Goods purchased by the government on the basis of not-for-profit foreign trade contracts and subsequently sold to government-controlled organizations and/or enterprises
- The provision of services in connection with construction of international highways as approved by the government

Uganda

Uganda's budget for financial year 2014–15 includes proposals to increase the tax base by terminating certain exemptions and zero rates as follows:

The following supplies will be subject to 18% VAT (i.e., will no longer be exempt):

- New computers, desktop printers, computer parts and accessories, and computer software licenses
- Hotel accommodation in tourist lodges and hotels outside the Kampala District
- Liquefied petroleum gas
- Feed for poultry and livestock, agriculture and dairy machinery, and packaging materials to the dairy and milling industries
- Salt
- Insurance services (except for medical and life insurance)
- Specialized vehicles, plant and machinery services, and civil works related to road and bridge construction, agriculture, water, education, and health

The following supplies have been excluded from zero-rating and will therefore be subjected to 18% VAT:

- Printing services for educational materials
- Cereals grown, milled or produced in Uganda
- Processed milk and milk products
- Machinery and tools for agriculture, seeds, fertilizers, pesticides and hoes

Ukraine

Effective 1 January 2015, the VAT registration threshold has been increased from UAH300k (approximately €17.2k) to UAH1m (approximately €57.4k).

Effective 1 January 2015, the rules for VAT refunds have changed as follows:

- The mandatory one-month carryforward of negative VAT has been abolished. As a result, the time frame of regular VAT refunds can be one month shorter.
- The VAT credit is subject to a refund only in an amount that does not exceed the threshold of the VAT invoice registration, calculated at the date of the filing of the VAT return.
- VAT refunds claimed after 1 July 2015 will not be subject to an unscheduled field audit (including cases where VAT refund claim exceeds UAH100k) by the tax authorities. Automatic VAT refunds are available to entities that satisfy the following key criteria:
  - Net book value of non-current assets is three times higher than the VAT refund claimed or, if this is not achieved, the entity can provide a financial guarantee for the amount of VAT refund issued by a bank approved by the government.
  - Zero-rated supplies for the preceding 12 consecutive months comprised at least 40% of total supplies.

    Or
  - Investment in non-current assets for the past 12 calendar months amounted to at least UAH3m.

Effective 1 January 2015, new rules for determining the VAT base are implemented as follows:

- For the supply of goods/services, the VAT base should not be lower than their purchase price or cost price if the supplier produced the goods/services.
- For the supply of fixed assets, the VAT base should not be lower than their net book value as at the beginning of the reporting period in financial accounting. If this data is not available, the value for VAT purposes should be based on the arm's-length price.

Effective 1 January 2015, an electronic VAT administration system has been implemented for all taxpayers. This system is based on the interaction of the Unified VAT Invoices Register (Unified Register) with new special VAT accounts. These VAT accounts are being opened for free for all VAT payers in the State Treasury of Ukraine. Under the new system:

- The supplier is able to register a VAT invoice in the Unified Register for the amount that exceeds his VAT credit only when it pays the corresponding amount of money into its VAT account. The threshold is calculated cumulatively from 1 February 2015.
- Taxpayers are able to replenish their VAT accounts.
- Taxpayers are now permitted to withdraw or transfer money from their VAT accounts at their discretion. Neither funds from customers nor VAT refunds are transferred to the VAT account.
- If VAT taxpayer's registration is canceled, its VAT account will be closed and the net balance of the account will be transferred to the state revenue.
- The Treasury will communicate data about the net balance of VAT accounts to the Unified Register online. If the total of input VAT and the VAT account balance is insufficient, the taxpayer will not be able to register the issued VAT invoice. Consequently, the customer will not be entitled to recognize the VAT credit.
- At the end of the reporting period, the tax on the added value generated by the supplier should be accumulated in his VAT account. VAT payable to the state revenue at the end of the reporting period must be settled using funds in the VAT account.

From 1 January to 30 June 2015, the electronic VAT administration system will operate in the "test mode." This means that all VAT invoices need to be registered in the Unified Register, but the threshold calculated by formula does not apply.

Ukraine (continued)

Effective 1 February 2015, due to the implementation of the new VAT account system, all VAT invoices and adjusting calculations should be registered in the Unified Register. All VAT reporting and VAT invoices issued to customers must be done electronically.

Penalties relating to the registration of VAT invoices in the Unified Register were introduced as follows:

- Effective 1 July 2015, failure to register VAT invoices that are required to be provided to buyers registered as VAT payers on time (i.e., within 15 calendar days after the issue) would attract a penalty varying from 10% to 50% of the VAT amount depending on the length of the delay. If VAT invoices do not need to be provided to buyers, penalties will not apply.
- The transitional provisions of the law provide exemption from these penalties for delays of less than 15 calendar days in respect of registration of VAT invoices issued between 1 February and 1 July 2015.

Effective 1 July 2015, the procedure for making VAT adjustments for the use of purchased goods/services in non-business transactions or in exempt supplies will change as follows:

- In both cases, VAT payers will recognize all input VAT as VAT credit, regardless of whether purchases are used to make taxable supplies within the business activities or not.
- If purchases are used in exempt supplies or non-business activities, VAT payers should account for output tax based on the purchase value of the goods/services or the net book value of non-current assets by the end of the month.
- If purchases are used to make taxable and exempt supplies, VAT payers should pro-rata the input VAT by recognizing the extent of the use of the purchases in the making of exempt supplies.

United Kingdom

Effective 25 September 2014, the UK government revised its policy on the VAT recovery position of holding companies. This area of VAT policy currently remains under review.

Effective 25 November 2014, the Government revised its policy on the VAT treatment of pension fund costs. Following recent case law of the Court of Justice of the European Union (CJEU), the UK Government now accepts that employers may deduct VAT in relation to pension fund investment management services, provided the employer is a party to the contract for those services and has paid for them. An existing concession for VAT recovery on pension fund costs (called the "70/30 costs split") will be withdrawn on 31 December 2015. The government also now accepts that the management and administration of defined contribution pension schemes qualifies for VAT exemption. Affected businesses are invited to submit retrospective VAT refund claims. These significant developments will be relevant to any businesses that operate a pension scheme.

A revised Intrastat reporting threshold applies for the 2015 calendar year. Effective 1 January 2015, the Intrastat exemption threshold for arrivals increased from £1.2 million to £1.5 million. The Intrastat exemption threshold for dispatches remains at £250,000, and the delivery terms reporting threshold remains at £24 million.

Effective 1 January 2015, new rules were introduced across EU Member States governing the place of supply of electronic services supplied by B2C. Further details on this change can be found in the EU section of this chapter.

Effective 1 April 2015, businesses will be required to account for VAT on the full consideration received when prompt payment discounts are offered to customers. Previously, where a prompt payment discount was offered to a

United Kingdom (continued)

customer, VAT was payable only on the discounted amount, even if the discount was not taken up. For B2C supplies of telecommunications and broadcasting services, these rules took effect from 1 May 2014.

Effective 1 April 2015, UK search and rescue and air ambulance charities and hospice charities will be eligible to claim refunds of VAT incurred on the purchase of goods and services used for their non-business activities.

The government has undertaken a review of government bodies eligible for VAT refunds. The outcome of this review will be published in 2015.

United States

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

In spite of the various state and local applications, there are a number of common issues, trends and developments with respect to state sales and use tax laws. The most significant of these involves the effort of a number of states and the federal government to enact legislation that would require "remote sellers" (e.g., vendors who sell taxable goods to customers in other states) to collect and remit tax on multistate sales.

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

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

- In 2008 and 2009, the states of New York, North Carolina and Rhode Island adopted laws that require nonresident online retailers to collect tax on sales to in-state customers if the retailer contracted with a New York resident to refer potential customers to the seller (so-called "click-through" provisions). In November 2010, the New York statute was upheld as constitutional by a New York State appellate court and, on 2 December 2013, the United States Supreme Court declined to hear an appeal of that decision. Conversely, Illinois' version of the click-through provision was struck down by the state's highest court. The state passed a similar version of the law in 2014.
- In 2011 and 2012, approximately 23 additional states either adopted or considered similar click-through legislation and, in 2013 and 2014, eight more states followed suit. Given the recent Supreme Court decision upholding such laws, it is expected that more states will adopt such provisions in 2015.
- In 2010, the state of Colorado adopted a new law that would have created a presumption that a remote seller had nexus with the state for sales and use tax collection purposes if the seller was a member of a controlled group that has at least one member who is a retailer within the state. Sellers in Colorado who were not members of such controlled groups are required to provide the state's Department of Revenue with identifying information about each Colorado customer, including their names, addresses and the amount of their taxable purchases for the year, or face a per-customer penalty. In

January 2011, shortly before it was to go into effect, a federal court issued an injunction, barring the law from taking effect. While the statute was ultimately declared unconstitutional and was struck down in March 2012, a federal appeals court vacated that ruling in August 2013. As of December 2013, the injunction remains in place pending further appeal. In December 2014, the U.S. Supreme Court heard arguments as to whether the federal courts have jurisdiction to decide the constitutionality of the Colorado statute. A ruling is expected in early 2015.

- The states of New York (2009) and Oklahoma (2010) adopted nexus presumption statutes with respect to controlled group members, but neither of the states enacted a reporting requirement similar to Colorado's. Between 2011 and 2014, 12 more states adopted and more than 20 states considered enacting similar controlled group/affiliate presumption statutes.
- Since 2010, the state of Oklahoma has required remote sellers to notify customers on their websites, catalogs and invoices that use tax is due and that the customer is required to self-assess and pay the tax. At least 10 additional states adopted or considered similar sales and use tax reporting statutes in 2011 and 2014.
- In 2011, South Carolina and Texas enacted legislation specifying that operation of an in-state warehouse or distribution center, either directly or through an affiliate, would create nexus for a remote seller. Similar measures were passed in Georgia and Virginia in 2013 and in Colorado in 2014, with seven more states proposing such measures. In 2011, both South Carolina and Tennessee enacted legislation that would exempt certain remote sellers from having to collect sales and use taxes on transactions with in-state residents, to the extent that the remote seller opened a new distribution center and met minimum investment and job creation thresholds. South Carolina's measure was directly related to the legislation described immediately above. In 2012, a number of other states enacted similar provisions, while at least one state (Georgia) passed a law expressly prohibiting such agreements with remote sellers.
- On 6 May 2013, the US Senate passed the Marketplace Fairness Act of 2013. The act did not pass in the US House of Representatives and died on 3 January 2015, when the 113th Congress ended. A new version of the bill is expected to be introduced early in 2015 but is not expected to pass. As such, it is expected that the states will continue to pass nexus legislation as described above.

Other common themes related to sales and use taxes in a number of states include:

- Application of sales and use tax to transactions involving non-tangible goods (e.g., remote access and electronically delivered software, digital music and books). While treatment is not consistent across the states, the trend toward increased taxation of intangibles and services is likely to continue in 2014 and beyond.
- Treatment of specified IT service transactions, including data processing, "cloud computing" and "information services," should continue to face scrutiny from state lawmakers.
- A number of states have announced that they are considering expanding their sales and use tax laws to cover a wide range of service transactions. Most notably, lawmakers in California, in late 2014, announced that they would seek to tax nearly all service transactions within the state (except for health care and education-related services) to offset a proposed decrease in the personal income tax rate. It remains to be seen if such measures will succeed, given past failures to expand the tax similarly.
- Limitation of exemptions for related party and other "historically exempt" business transactions, such as contributions, spin-offs and business line sales, may be limited or unavailable in more states.

United States (continued)

The recent trend expected to continue in many states is to limit application and availability of state tax incentive programs aimed at taxpayers that create higher numbers of new jobs and/or invest significantly more capital within the state than under previous programs. At the very least, states offering such programs are expected to continue applying more rigorous testing standards to ensure that their tax investments yield actual results (e.g., new jobs, infrastructure).

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

Uruguay

Effective 1 August 2014, a Decree regulating a VAT rate reduction came into effect. This Decree intends to promote access to financial services and the use of electronic means of payments (i.e., access to free bank accounts). The VAT rate was reduced by 2 percentage points for sales of goods and services supplied to final consumers (defined as buyers that are not VAT payers), but only when the payment is made electronically.

An additional interim VAT reduction was also introduced for transactions paid through debit cards or electronic instruments valued at less than 4,000 Indexed Units (approximately US$500).

The general additional reductions are:

- 2 additional percentage points between 1 August 2014 and 31 July 2015
- 1 additional percentage point between 1 August 2015 and 31 July 2016

Additionally, the Decree establishes a VAT reduction for transactions paid through credit cards valued at less than 4,000 Indexed Units (approximately US$500), as follows:

- 2 percentage points between 1 August 2014 and 31 July 31 2015
- 1 percentage point between 1 August 2015 and 31 July 2016

Uzbekistan

Effective 1 January 2015, the following supplies are subject to the general 20% VAT rate:

- Supplies of gas to households (previously zero-rated).
- Imported medical (including veterinary) products if similar products are manufactured in Uzbekistan (previously exempt). Imported medical products remain VAT exempt if similar products are not manufactured locally.

Effective 1 January 2015, taxpayers, other than micro-firms and small businesses, are required to report VAT to the tax authorities on a monthly basis (rather than on a quarterly basis, as previously).

Vanuatu

Effective 2 January 2015, the VAT Office of the Department of Customs and Inland Revenue (DCIR) implemented its Return and Debt Collection Plan and Process, which is designed to provide effective management of outstanding returns and debts in regard to VAT.

Vietnam

Effective 1 January 2015, the following supplies are exempt from VAT (previously VAT at 5% applied):

- Fertilizers
- Specialized machinery and equipment used for agricultural production, offshore fishing vessels and feed for cattle, poultry and other animals

Zambia

Effective 1 January 2015, the following changes apply:

- Manual returns relating turnover tax are to be filed on the 5th of the month, but electronic filing of turnover returns for businesses whose turnover exceeds ZMK800,000 per annum remains the 14th of the month.
- Electronic filing of VAT returns is mandatory if there are 10 or more transactions.
- The effective date of charging penalties on delayed payments of tax due on a VAT return has been clarified. This measure is intended to ensure that the penalty for late payment and late payment of tax was linked to the due date of the return. Previously, the penalty for late submission was linked to the date of submission of the return instead of the due date of the payment.
- The anti-avoidance provisions have been expanded. They now apply if either of the conditions provided in section 50 of the VAT Act are met (previously both conditions needed to be met).
- Suppliers whose turnover falls below the registration threshold for VAT are allowed to de-register after the end of the relevant accounting year.
- Clarity has been provided on the items that qualify for zero rating under the projects funded by donors or co-financed with the government. The measure is intended to clarify that only goods and services that are deductible under the VAT Act qualify for zero rating and that the goods and services that qualify are those for the project or program and not those for the contractors. This measure is aimed at avoiding possible abuse.
- Deductible input tax by intending traders is restricted to corresponding business lines after the expiry of the three months where one has not commenced trading. Previously, intending traders claimed all input VAT, including that which was outside the business lines.

Zimbabwe

Effective 1 January 2015, the following VAT changes apply:

- The VAT deferment period that applies to importers of capital equipment to be used in mining, manufacturing, agriculture, transportation and medical equipment is extended according to the following table:

Value of equipment (US$)	Deferment period (days)
100,000 to 1,000,000	90
1,000,000 to 10,000,000	120
Above 10,000,000	180

- The minimum clearance fees per bill of entry is deemed to be US$50 for VAT purposes (to avoid clearing agents understating the value of services rendered to reduce the VAT payment).
- Sales of livestock are zero-rated.
- VAT on the exportation of unprocessed hides does not apply to crocodile skin, goat or sheep skins or hide, skin or hair that is or forms part of a trophy for a tourist who was on a hunting safari.

The zero VAT rate applies to sugar cane. This change applies retrospectively from 1 February 2009.

Effective 16 January 2015, accommodation is excluded for the zero rate of VAT that has applied to specified tourist services since 1 January 2014. From 16 January 2015, VAT is chargeable at 15% on the accommodation element of the tourist services provided. Any VAT charged from 1 January 2014 is refundable.

The 15% Export Tax on unprocessed platinum, which was to commence on 1 January 2015, has been deferred until 1 January 2017.


Westfield

Excise and other indirect taxes

Excise and other indirect taxes

Albania
1 January 2015: excise tax for energy drinks has been lowered to ALL30 per liter from ALL50 per liter.

Azerbaijan
1 January 2015: excise duty is introduced on platinum, gold and diamonds.

Bosnia and Herzegovina
1 January 2015: excise duty on cigarettes, fine-cut tobacco and other smoking tobacco was increased.

Germany
1 January 2018: new Alcohol Excise Tax Act will come into force.

Hungary
1 January 2015: public health product tax (snack tax) was extended.

The 2015 tax package agreed to by Parliament includes various excise duty, green tax and advertising tax changes.

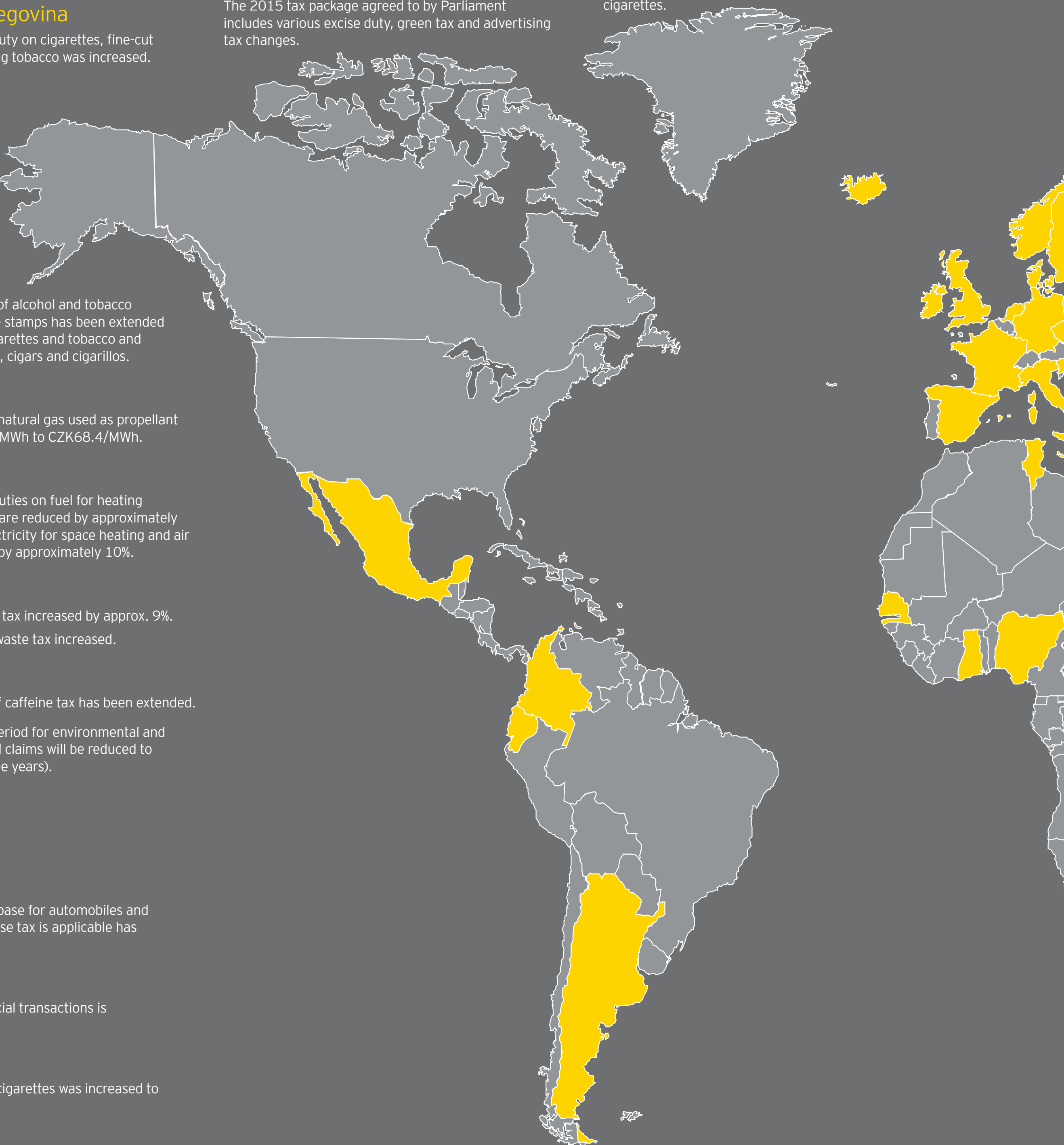
Iceland
1 January 2015; excise duties are abolished except for those on vehicles and fuel.

Ireland
14 October 2014: excise duty increased by 40 cents per packet of 20 cigarettes and 20 cents per 25g of rolling tobacco.

Italy
VAT and customs reliefs are available for exhibitors participating in the Universal Exposition "Feeding the Planet, Energy for Life" (EXPO 2015) being held in Milan between 1 May and 31 October 2015.

1 January 2018: excise duty on petrol, leaded petrol and diesel used as fuel will be increased.

Lithuania
1 March 2015: excise duty tariff is increased on beer and cigarettes.



Bulgaria
The deadline for the sale of alcohol and tobacco products with "old" excise stamps has been extended to 31 March 2015 for cigarettes and tobacco and 30 June 2015 for alcohol, cigars and cigarillos.

Czech Republic
1 January 2015: rate on natural gas used as propellant increased from CZK34.2/MWh to CZK68.4/MWh.

Denmark
1 January 2015: excise duties on fuel for heating purposes (space heating) are reduced by approximately 25%. Excise duties on electricity for space heating and air conditioning are reduced by approximately 10%.

Finland
1 January 2015: tobacco tax increased by approx. 9%.

1 January 2015: rate of waste tax increased.

France
1 January 2015: scope of caffeine tax has been extended.

1 April 2015: limitation period for environmental and energy taxes (EET) refund claims will be reduced to two years (previously three years).

Argentina
1 January 2015: taxable base for automobiles and motorcycles on which excise tax is applicable has been increased by 15%.

Colombia
From 2015: levy on financial transactions is progressively eliminated.

Ecuador
1 January 2015: rate on cigarettes was increased to US$0.1310.

Mexico
1 January 2015: excise tax is payable on temporary imports performed by entities operating in the IMMEX regime, maquiladoras or another customs regime issued by the authorities when the temporary import entry is filed.

Malta

1 January 2015: excise tax rate on cigarettes and tobacco, fuel, cement and mobile telephony services increased.

Netherlands

1 January 2015: duty on a packet of 19 cigarettes was increased by €0.09.

1 January 2015: scope of exemption for energy tax on self-generation was widened to include the rental sector.

Norway

1 January 2015: excise duties rates generally increased by approximately 2.1%.

1 January 2015: duty on the depositing of waste is abolished.

Poland

1 January 2015: rates of excise duty on motor fuels were reduced.

Russia

1 January 2015: excise duty rates increased for certain types of excisable goods, including motor cars, different types of tobacco and cigarillos.

Slovenia

6 January 2015: excise duty was reduced on petrol, gas and oil used as motor fuel.

6 January 2015: excise duty on cigarettes was increased.

Spain

1 January 2015: new exemptions were introduced for the fluorinated greenhouse tax.

Sweden

1 January 2015: tax exemptions available for certain biofuels were reduced.

1 January 2015: tax on pesticides, natural gravel, and waste and thermal power in nuclear reactors were increased.

1 January 2015: excise duty on tobacco products and alcohol were increased.

Ukraine

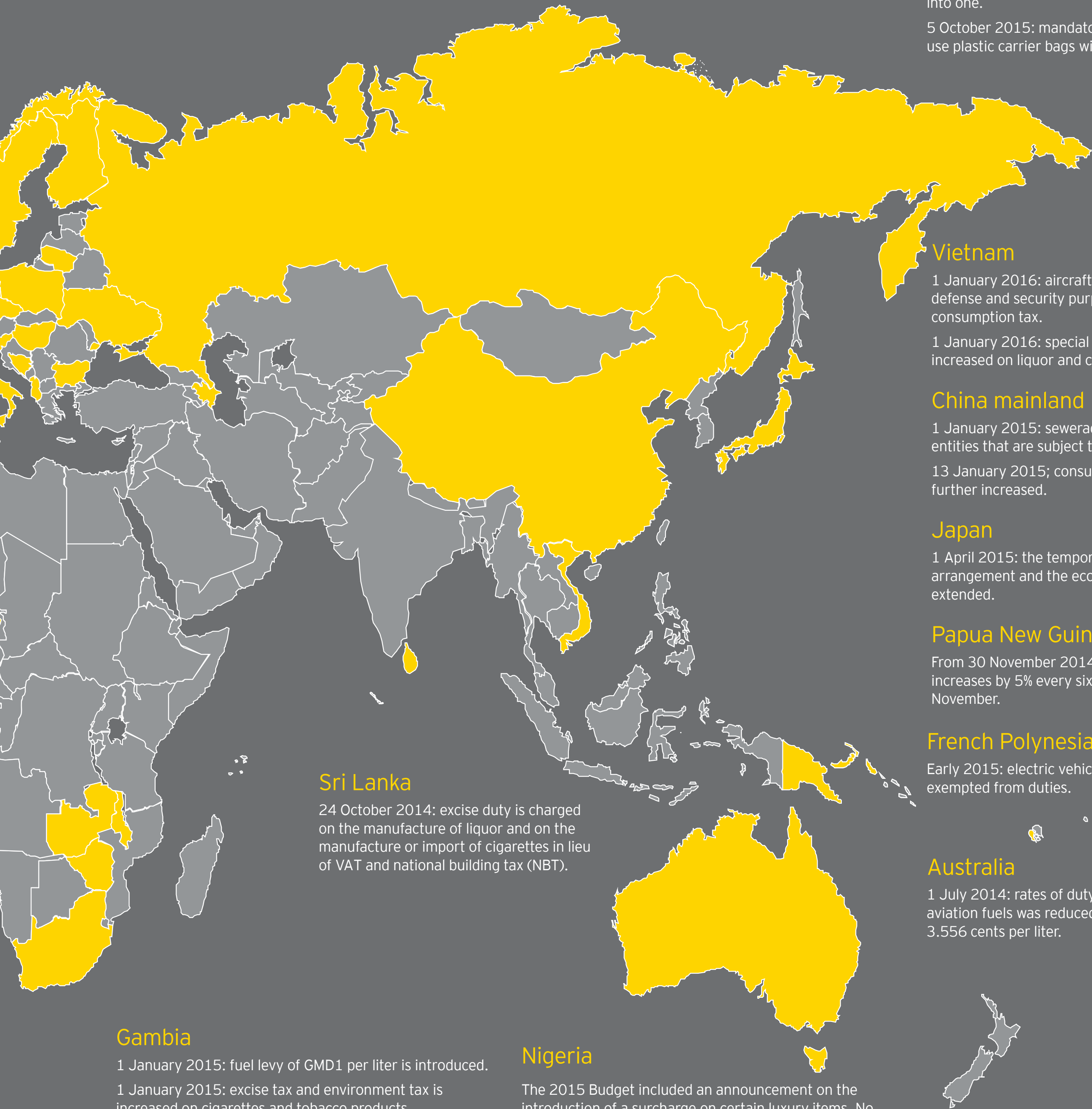
1 January 2015: list of goods subject to excise duty is extended to include electricity, certain fuel products, oil products and cigarettes.

United Kingdom

1 December 2014: general betting duty, pool betting duty and remote gaming duty are chargeable on operators' betting and gaming profits, irrespective of where the operator is located.

1 April 2015: air passenger duty banding regime will be reformed by merging three former destination bands into one.

5 October 2015: mandatory charge of GBP 0.05 for single use plastic carrier bags will be introduced in England.



Vietnam

1 January 2016: aircraft used exclusively for national defense and security purposes will be exempt from special consumption tax.

1 January 2016: special consumption tax rates are increased on liquor and cigarettes and reduced onbiofuels.

China mainland

1 January 2015: sewerage charge no longer applies to entities that are subject to environmental taxes.

13 January 2015; consumption tax on oil products was further increased.

Japan

1 April 2015: the temporary customs duty rate arrangement and the eco-friendly car exemption have been extended.

Papua New Guinea

From 30 November 2014: excise tariff on tobacco products increases by 5% every six months, on 31 May and 30 November.

French Polynesia

Early 2015: electric vehicles and their batteries are exempted from duties.

Sri Lanka

24 October 2014: excise duty is charged on the manufacture of liquor and on the manufacture or import of cigarettes in lieu of VAT and national building tax (NBT).

Australia

1 July 2014: rates of duty on both kerosene and gasoline aviation fuels was reduced to the pre-carbon-tax rate of 3.556 cents per liter.

Gambia

1 January 2015: fuel levy of GMD1 per liter is introduced.

1 January 2015: excise tax and environment tax is increased on cigarettes and tobacco products.

Ghana

1 January 2015: excise duty on tobacco increased from 150% to 175%.

Malawi

1 October 2014: the penalty for failure to renew an excise license for domestic excise taxpayers was increased to MWK200,000 (approximately US$500).

Nigeria

The 2015 Budget included an announcement on the introduction of a surcharge on certain luxury items. No implementation date is yet available.

South Africa

Legislation relating to a new carbon tax is expected during 2015.

Tunisia

28 August 2014: excise duty on marble, granite and other specific types of rocks was reduced from 50% to 25%.

Zambia

1 January 2015: excise duty increased on imported un-denatured spirits of alcoholic content of 80% or higher by volume to 125% (from 0%).

Zimbabwe

1 December 2014: excise duties were increased on cigarettes from USD15 per 1,000 to USD20 per 1,000.

1 January 2015: excise duty was reduced on clear beer to 40% (from 45%).

Excise and other indirect tax changes

Albania

Effective 1 January 2015, the following excise duty changes apply:

- A broader definition is given for energy drinks as well as specifics on calculating excise taxes for these products.
- Excise tax for energy drinks has been lowered to ALL30 per liter from ALL50 per liter.

Angola

The government has announced the creation of a general tax authority that is now responsible for administering taxes and customs duties in Angola.

Argentina

Effective 1 January 2015, the taxable base for automobiles and motorcycles on which excise tax is applicable has been increased by 15%. Consequently, automobiles and motorcycles are subject to excise tax when their taxable bases exceed ARS195,500 and ARS34,500, respectively. The applicable excise tax rate depends on the corresponding range of value.

Aruba

Effective 1 December 2014, a Health Tax applies at a rate of 1% to supplies that are currently subject to the turnover tax. The Health Tax is paid on the consideration received for the goods delivered and the services rendered in addition to the 1.5% turnover tax, resulting in a combined total of 2.5%.

Australia

Effective 1 July 2014, the duty on both kerosene and gasoline aviation fuels was reduced to the pre-carbon-tax rate of 3.556 cents per liter.

Azerbaijan

Effective 3 March 2015, motor and aviation gasoline, mechanical oils, natural bitumen, asphalt, alcoholic beverages and cigarettes are subject to excise duty when imported.

Belgium

A tax reform bill agreed to in November 2014 included an increase in excise duty on manufactured tobacco and other excisable products except beer.

Bosnia and Herzegovina

Effective 1 January 2015, changes apply to the rate of specific excise duties and the overall minimum excise duty on cigarettes and tobacco products as follows:

- The specific excise duty per 1,000 cigarettes is increased to BAM52.50 from BAM45.00.
- The overall minimum excise duty has been reduced to BAM100.00 per 1,000 cigarettes (previously BAM104.50).
- The specific excise duty on fine-cut tobacco and other smoking tobacco increased to BAM80.00 per kilogram (previously BAM78.00).

Bulgaria

The deadline for the sale of alcohol and tobacco products with old excise stamps has been extended to:

- 31 March 2015 for cigarettes and tobacco
- 30 June 2015 for alcohol, cigars and cigarillos

Burundi

Budget Bill 2015 announced that the rate of telephone tax on incoming international telephone calls (introduced by the Amending Budget Law 2014) now applies at BIF42 per minute.

China[1]

Effective 1 January 2015, the sewage charge will no longer apply to entities that are subject to environmental tax.

Effective 13 January 2015, consumption tax on gasoline, naphtha, mineral solvents and lubricating oil is increased from CNY1.4 per liter to CNY1.52 per liter. The rate on diesel, jet oil No. 3 and fuel oil is increased from CNY 1.1 per liter to CNY 1.2 per liter.

Colombia

On 23 December 2014, Colombia's President signed and published a new tax reform bill amending the Colombian Tax Statute. The reform provides for a number of changes as follows:

- The levy on financial transactions tax (GMF in Spanish) is being progressively eliminated. For the years 2015 to 2018, the GMF rate is 0.4%. Subsequently, the GMF rate will be reduced as follows: 0.3% for 2019, 0.2% for 2020 and 0.1% for 2021. By 2022, the GMF will be eliminated.
- The temporary importation of assets for improvement, including transactions under the "Plan Vallejo," is now subject to fuel and diesel oil tax. However, an exemption is available for those taxpayers that already had Plan Vallejo and directly imported diesel or fuel before the enforcement of this law. The exemption is limited to the average volume of importations of years 2012 to 2014.

1. China refers to the China mainland tax jursidiction.

Colombia (Continued)

- A tax contribution named "Participation Differential" has been introduced. It has the same taxable event as the fuel and diesel tax, and it is accrued when the Ministry of Mines and Energy's fixed reference price is above the international parity price for the day on which the refiner or importer of record of the fuel carries out the taxable event. To determine the taxable basis, the positive difference between those prices (the reference price and international parity) is multiplied by the volume of fuel at the time of sale, importation or withdrawal. The rate of the Participation Differential contribution is 100% of the taxable base.
- A potential settlement regime applies to tax, customs and foreign-exchange burden obligations incurred before 2012, as well as for tax obligations incurred with municipalities. This potential settlement could lower how much the taxpayer pays in interest and penalties.

Czech Republic

Effective 1 October 2014, the following excise duty changes apply:

- The excise duty on cigarettes slightly increased due to changes in foreign-exchange rates (to meet minimal rates set by the EU ED Directive).
- The partial refund of excise duty on certain mineral oils to persons using these oils for agricultural production was reintroduced.

Effective 1 January 2015, a number of excise duty changes came into effect, including:

- The introduction of a general unified regime for granting any excise duty authorization (e.g., excise duty warehouse, use of exempt products). Conditions for granting authorizations have been tightened (e.g., only entities complying with the requirements of reliability, absence of any tax debt and financial stability can be granted authorization).
- The maximum tax securement for mineral oils is increased to CZK1.5 billion (from CZK100 million).
- A new registry of persons handling special (low-viscosity) mineral oils was established, and restrictions are to be placed on the handling of special mineral oils (ban on acquisition, sale or conveyance in another way to an unregistered person). These oils should be subject to special electronic record-keeping.
- Beer, wine and intermediate products that, in warranted cases, are destroyed in the presence of tax officials will newly be exempt from excise duties.

Effective 1 January 2015, the tax rate on natural gas used as propellant increased from CZK34.2/MWh to CZK68.4/MWh.

Denmark

The Danish Ministry of Taxation's law program for 2014–15 includes an increase in the excise duty on tobacco products and a simplification of the administrative rules regarding several excise duties.

Ecuador

Effective 1 January 2015, the following excise tax changes apply:

- The rate on cigarettes was increased to US$0.1310.
- 100% excise tax on the manufacturing and import value is now levied on kitchens, kitchenettes, water heaters and household water heating systems, operating wholly or partly by the combustion of gas.

Effective 1 January 2015, Currency Exportation Tax (CET) was reformed as follows:

- Investments made by Ecuador-based companies abroad are now considered to be CET taxable events.
- Amortization of capital interest earned on international financial institutions loans, granted for a term longer than one year, used to finance investments under the Production Code are exempt of 5% CET, as long as those loans comply with the requirements that will be established by the Tax Policy Committee.
- Payments made on imports of electric cookers and induction, and parts thereof; pots designed for use on induction stoves; and electric water-heating systems for domestic use, including electric showers, are exempt from CET.

Estonia

Effective 1 January 2015 excise rate for light heating oil (fiscal marked, CN codes 2710.19.45, 2710.19.49) was increased to €392.92 (from €110.95).

Effective 1 January 2015, the rates of excise duty on alcohol increased as follows:

- The rate on beer is €7.22 per 1% of ethanol by volume per hectoliter of beer.
- The rate on beer produced by a small producer of beer (produces up to 3,000 hectoliters per calendar year) is 50% of the rate of excise duty specified above.
- The rate on fermented beverages or wine with an ethanol content of up to 6% (inclusive) by volume is €42.22 per hectoliter.
- The rate on fermented beverages with an ethanol content exceeding 6% by volume is €97.37 per hectoliter.
- The rate on wine with an ethanol content exceeding 6% by volume is €97.37 per hectoliter.
- The rate on intermediate products is €207.93 per hectoliter.
- The rate on other alcohol is €18.89 per 1% of ethanol by volume per hectoliter.

European Union

The European Commission has announced, as part of its 2015 work plan, that it will withdraw the current proposal for the reform of the Energy Tax Directive since, during Council discussions, it has become so watered down that it is not worth keeping.

Finland

Effective 1 January 2015, the following changes apply to excise and certain other taxes:

- Tobacco tax is increased by approximately 9%.
- Class 1 of the electricity tax has increased, and its scope has expanded.
- The increases apply to transport, heating and working machine fuels, and power plant fuel tax.
- The tax increase on peat, agreed to be introduced in 2015, has been canceled.
- Motor vehicle tax has been increased, and the tax table has been revised to enhance emissions control.
- The rate of waste tax has been increased.
- The car tax relief earlier granted for taxis and removal cars is removed.

France

Effective 1 January 2015, the scope of caffeine tax has been amended. This tax was introduced on 1 January 2014, and it was aimed at the energy-drinks sector for products containing more than 220 mg of caffeine per liter. The tax was amended because it was deemed unconstitutional to tax certain energy drinks with caffeine but not other drinks with similar caffeine content. Effective 1 January 2015, only products that both exceed the specified caffeine content and are packaged for retail sale fall within the scope of the tax.

Effective 1 April 2015, the limitation period for environmental and energy taxes (EET) refund claims will be reduced. The EET covered by these new dispositions comprises excise duties on energy products and the general tax on polluting activities (the TGAP). This means that import customs duties or other indirect taxes such as VAT are excluded from these new dispositions. The limitation period was previously set at three years. For any claim filed as of 1 April 2015, the general limitation period is now limited to two years plus the current year (e.g., EET paid on 31 March 2012 could be claimed only up to 31 March 2015, while a claim filed as of 1 April 2015 could include only amounts of tax paid as of 1 January 2013).

French Polynesia

Effective early 2015, electric vehicles and their batteries are exempted from duties.

Gambia

Effective 1 January 2015, the Gambian Budget introduced the following tax measures:

- An increase of the Global System for Mobile Communications (GSM) levy, from 1.25% to 2.5%
- The introduction of a fuel levy of GMD1 per liter
- The introduction of a 35% levy on all imported poultry products
- An increase in import levies on premix oil, from GMD4.76 per liter to GMD11.42 per liter
- An increase in the excise tax on cigarettes, from GMD9 per pack to GMD12 per pack
- An increase in the environment tax on cigarettes, from GMD2 per pack to GMD2.20 per pack
- An increase in the excise tax on other tobacco products, from GMD150 per kilogram (kg) to GMD200 per kg
- An increase in the environment tax on other tobacco products, from GMD100 per kg to GMD110 per kg

Germany

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

In 2014, the German customs administration has taken over responsibility for motor vehicle tax from the 16 German states.

Ghana

Effective 1 January 2015, the excise duty on tobacco increased from 150% to 175%. The excise tax on petroleum was reversed from an ad valorem duty to a specific duty.

A review of Ghana's excise duty policy on alcoholic beverages has also been proposed for 2015.

Hungary

Effective 1 January 2015, the public health product tax (snack tax) has been extended to cover all alcoholic beverages that qualify as alcohol products under the Hungarian Excise Duty Act, except for prescribed quantities of alcohol beverages used for production of certain products (such as drugs or medicinal products, alcoholic fruits, chocolate), fruit spirit drinks, and spirits produced using at least seven herbs and not containing additives. The amount of the tax ranges from HUF20 to HUF900, depending on the alcohol content of the products.

After Parliament accepted the year-end tax law amendments package for 2015, the following main changes were made in the excise duty rules:

The amount of excise guarantee regarding trading with excise license is increased for petroleum products and other excise products (except for tobacco). From 1 January, the new guarantee amounts are:

- For mineral oil: HUF600 million (increased from HUF120 million)
- For tobacco products: HUF22 million
- For alcohol products: HUF150 million (increased from HUF22 million)
- For holders of excise license who only distribute lubricating oil and fuel additives: HUF6 million
- For economic operators pursuing petroleum-related activities subject to excise licenses with low (or zero) tax content: HUF120 million

Hungary (Continued)

- Excise duty is payable on compressed natural gas (CNG) used as fuel in vehicles at a rate HUF28 per cubic nm.
- Persons operating buses of vehicle category M2 and M3 in local and long-distance public transportation services are entitled for refund of excise duty on CNG purchased for that activity inclusive of tax, paid at the time of purchase.
- The excise duty rates on heating oil and fork-lift gas have increased.
- The rate of the reclaimable excise duty is reduced to HUF11 per liter on the use of commercial gasoline (previously HUF17 per liter).
- The differential tax rate for alcohol products is eliminated, and a uniform tax rate of HUF333,385 per hectoliter of pure alcohol is introduced (with special rules continuing to apply to contract distilling and private distilling).
- The production and distribution of ready-to-drink spritzer is now covered by the Hungary Excise Duty Act. The mix of non-flavored carbonated water and grape wine with alcoholic strength by volume not exceeding 8.5% (if the proportion of grape wine exceeds 50%) is subject to similar regulations as those that apply to grape wine. Therefore, spritzer can be produced in simplified wine tax warehouses or wine tax warehouses, must be released and transported with an accompanying document for wine products, and is subject to zero excise duty rate.
- Owning or trading in dried and fermented tobacco is subject to prior registration in the case of persons that are using dried and fermented tobacco in the production of products other than tobacco products.
- The definition of cigarillo is harmonized with EU Directive 2011/64/EU.

These environmental protection product fee (green tax) rules were also changed:

- New products subject to green tax include:
    - Plastic products: artificial plastic flowers, foliage and fruit and parts thereof (and goods made of them) that qualify under customs tariff code 6702 10 as other plastic products. Tax rate: HUF1,900 per kilogram.
    - Other chemical products: soaps, compositions containing a surfactant; washing, cleaning and scouring products; air fresheners; hair and beauty care products; deodorants; and cosmetics used for shaving and depilation. Tax rate: cleaning products: HUF11 per kilogram, cosmetic products: HUF57 per kilogram.
    - Office paper: paper suitable for writing, printing or photocopying without further treatment. Tax rate: HUF19 per kilogram.
- Flat tax rates may apply to new product ranges if goods are released in small volumes (2 kg other plastic products, 200 kg other chemical products or 200 kg office paper).
- The range of packaging materials and electrical and electronic equipment subject to green tax has been expanded.
- The definition of commercial packaging covers only metal beverage packaging.
- The green tax rates also have changed on goods that were already subject to green tax before 2015, both for taxable persons opting for collective or individual waste management performance.
- If the ownership of goods subject to green tax is transferred by contribution in kind, transfer of business as going concern or termination with legal succession in line with the VAT Act, the transfer does not qualify as the first domestic distribution creating a green-tax liability.
- Packaging toll manufacturers are also now eligible to assume the green-tax obligation on packaging materials under contract.
- As with the removal of imported packaging, if the date of the liability arising cannot be established otherwise, the final removal of packaging is regarded as the tax point.

Hungary (Continued)

Effective 1 February 2015, a new tax called the special health fund contribution for tobacco companies was introduced. For the purposes of this tax:

- Taxable persons are legal entities who carry or have carried out manufacturing and trading activities with tobacco products in Hungary.
- The contribution base is the net sales revenue realized in financial year 2014.
- The rate of the contribution varies progressively between 0.2% and 4%, depending on the amount of tax base.

These were the main changes to the energy tax rules:

- Energy tax rates are increased for electric power (from HUF295 to HUF310.5 per megawatt hour), natural gas (from HUF88.5 to HUF93.5 per gigajoule) and for coal (from HUF2,390 to HUF2,516 per thousand kilogram).
- Certain persons who use energy in mineralogical processes are entitled to reclaim the energy tax.

These were the main changes to the advertising tax rules:

- The definition of taxable activity under advertising tax law is clarified.
- Certain exemptions apply, including advertising publication activity carried out in connection with sports activities in support of public community purposes.
- The rate of advertising tax for taxable persons publishing advertisements increases from 40% to 50% on the part of the tax base in excess of HUF20 billion.

As opposed to the previous flat rate of 0.1%, from 1 January 2015 the food supply chain supervisory fee varies progressively between 0.1% and 6%, depending on the amount of the preceding year's net sales revenue — without excise duty and public health product tax — which derives from activities falling under the scope of food supply chain supervisory fees.

Iceland

Effective 1 January 2015, excise duties are abolished, except for those on vehicles and fuel.

Ireland

Effective from midnight 14 October 2014, the following excise duty changes apply:

- Duty on cigarettes was increased from €237.69 to €255.69 per thousand, plus an amount equal to 8.85% of the retail price (previously 8.83%), with a minimum of €289.98 per thousand (previously €271.91).
- Duty on hand-roll tobacco was increased from €248.608 per kg to €273.177 per kg.

The existing relief that reduced the standard rate of Alcohol Products Tax by 50% on beers produced in microbreweries that produce up to 20,000 hectoliters per annum was extended to microbreweries that produce up to 30,000 hectoliters per annum.

Italy

VAT and customs reliefs are available for exhibitors participating in the Universal Exposition "Feeding the Planet, Energy for Life" (EXPO 2015) being held in Milan between 1 May and 31 October 2015.

Effective 1 January 2018, the excise duty on petrol and leaded petrol and the rate of excise duty on diesel used as fuel will be increased to ensure net revenues of no less than €700 million for the year 2018 and each subsequent year.

Japan

Effective 1 April 2015, the temporary customs duty rate arrangement and the exemption/reduction of motor vehicle weight tax and motor vehicle acquisition tax (known as "eco-friendly car exemption") have been extended as follows:

- The temporary customs duty rate that as due to expire on 31 March 2015 has been extended to 31 March 2016. Importers will continue to be able to import 431 items on a tariff line at a lower duty rate than the general duty rate or most favored nation (MFN) rate, whichever applies depending on the country of export.
- To encourage the use of environmentally friendly vehicles, the rates of motor vehicle weight tax and motor vehicle acquisition tax were reduced or exempted for vehicles meeting stipulated requirements on fuel economy and exhaust gas. These reductions and exemptions were due to expire on 31 March 2015 but have been extended to 31 March 2017. Along with the extension, requirements for vehicles to qualify for tax exemption/reduction were also revised to further enforce better fuel economy and less exhaust gas.

Kenya

Kenya's budget proposed the introduction of the following new or amended tax legislation in the 2014–15 fiscal year:

- The Excise Duty Bill, which introduces a stand-alone piece of legislation to bring excise duties into line with leading international practices while simplifying revenue collection and administration
- The Tax Procedures Bill, which requires uniform tax administrative procedures for VAT, excise duty and income tax

Importers of excisable goods, other than motor vehicles, were required to apply for registration with the Commissioner of Domestic Taxes by 31 January 2015. This registration requirement is a result of the Excisable Good Management System (EGMS) that requires the marking of excisable goods to verify their authenticity and to make it easier to identify counterfeit products.

Lithuania

Effective 1 March 2015, the following amendments to the Excise Duty Law apply:

- An increase of the excise duty tariff for beer to €3.11 per 1% alcohol by volume
- An increase in the excise duty tariff for wines and other fermented beverages not exceeding 8.5% alcohol by volume to €72.12
- An increase in the excise duty tariff for intermediate products not exceeding 15% alcohol by volume to €89.49
- An increase in the excise duty tariff for intermediate products exceeding 15% alcohol by volume to €126.27
- An increase in the excise duty tariff for ethyl alcohol to €1,320.67
- An increase in the excise duty tariff for cigarettes to the minimum of €77.91 per 1,000 cigarettes, together with an increase of the specific element of the excise duty to €48.08
- An increase in the excise duty tariff for cigars and cigarillos to €28.09 per kg of product

Malawi

On 2 September 2014, Malawi's Minister of Finance presented the 2014–15 budget to Parliament. It included changes to excise duties with immediate effect as follows:

- The removal of import excise duty on minibuses not older than five years
- A reduction in excise duty on cigarettes from US$30 per 1,000 to US$15 per 1,000 for both local and imported cigarettes
- The removal of duty on buses of not older than five years with a seating capacity of 45 or more, including the driver

With effect from 1 October 2014, the penalty for failure to renew an excise license for domestic excise taxpayers was increased to MWK200,000 (approximately US$500).

Malta

Effective 18 November 2014, the excise tax rate on cigarettes and tobacco increased.

Effective 1 January 2015, the following changes took place:

- The excise tax rate on cigarettes and tobacco, fuel, cement, and mobile telephony services increased.
- There is a revision to the introduction of excise tax on mobile phone lines, fish farm feed and wine.
- The eco-contribution levied on ammunition cartridges, pneumatic tires and petroleum oils is being replaced with an excise tax.

Changes to the eco-contribution will take place as follows:

- By 30 June 2015, all operators dealing in waste electrical and electronic equipment (WEEE) products will be required to join a waste disposal scheme (or else provide a plan on how they plan to abide with the WEEE Directives).
- With effect from 1 September 2015, the eco-contribution on WEEE products will be removed.

Mexico

Effective 1 January 2015, excise tax is payable on temporary imports performed by entities operating in the IMMEX regime, maquiladoras or another customs regime issued by the authorities when the temporary import entry is filed. These duties were previously waived.

Netherlands

Effective 1 January 2015, the duty on a packet of 19 cigarettes was increased by €0.09.

Effective 1 January 2015, waste tax is due on waste incineration, even if waste is incinerated to produce or generate energy. The rate for incinerating waste is €13 per 1,000 kg. Subject to certain conditions, a waste tax exception applies to waste that can be proven to have been transported into the Netherlands from abroad.

Effective 1 January 2015, the excise duty on liquefied petroleum gas and liquefied natural gas was increased by €0.07 per liter.

Effective 1 January 2015, the excise duty rate on other mineral oils — including gasoline and kerosene — was increased by 0.9%.

Effective 1 January 2015, the scope of exemption for energy tax on self-generated energy has been widened to include the rental sector. Prior to this date, energy tax was not due on the private consumption of (self-) generated electricity from renewable energy sources. An exception was made for the rental sector. The main conditions are:

- The landlord must supply the electricity generated directly to the tenant.
- The electricity must be generated from renewable energy sources (such as solar panels or a wind turbine).
- The production system used to generate the electricity must be affixed to or installed in the building or on the land.

Effective 1 January 2015, the scope of the reduced tax rate regime for energy generated locally from sustainable sources by cooperatives and homeowners associations has been extended to include businesses. The reduced tax rate cannot be applied, however, if the share of one or more businesses in the cooperative or homeowners association exceeds 20%.

Effective 1 January 2015, energy tax rates increased to cover budgetary losses due to changes in the tax on tap water. The rates in question are the regular natural gas and electricity rates and the reduced tax rate for natural gas used for greenhouse agriculture.

Nigeria

The 2015 budget included an announcement on the introduction of a surcharge on certain luxury items, as follows:

- 10% import surcharge on new private jets
- 39% import surcharge on luxury yachts
- 5% import surcharge on luxury cars
- 3% luxury surcharge on champagnes, wines and spirits
- 1% Federal Capitol Territory (FCT) Mansion Tax on residential properties with a value of NGN300 million and above
- Surcharge on business and first-class airline tickets

At the time of this writing, the date for when the surcharges will start being imposed had not been announced.

Norway

Effective 1 July 2014, the duty on marine engines is abolished.

Effective 1 January 2015, the rates of all excise duties are generally increased by approximately 2.1% from 2014 to 2015 to account for anticipated inflation.

Effective 1 January 2015, the duty on the depositing of waste is abolished.

Effective 1 January 2015, significant motor-vehicle duty reliefs are applicable, including a reduction of the re-registration tax. The rate of motor-vehicle registration duty for motorbikes and snowmobiles is also reduced by 30%.

Papua New Guinea

From 30 November 2014, the excise tariff on tobacco products increases by 5% every six months (increases were previously based on the consumer price index). The increases will take effect on 31 May and 30 November each year. Two new tariff items have been introduced to address misclassified cigarettes.

Effective 1 January 2015, a new customs tariff item for other meats and edible offal that do not fall in the mechanically deboned meat (MDM) description has been introduced to avoid potential confusion in identifying appropriate items and rates. Consequential amendments have been to the customs tariff items for the two new excise tariff items referred to above.

Poland

Effective 1 January 2015, the rates of excise duty on motor fuels is reduced by PLN25 per 1,000 liters or PLN25 per 1,000 kg, depending on the type of fuel.

An amendment to the 2015 Budget Law included the following changes to excise duty:

- The introduction of an excise duty on cigarettes produced by using special machines, except cigarettes made manually for private use.
- A change in the taxation of cigars and cigarillos, based on their weight, combined with a percentage of the maximum retail sale price. Currently, a fixed amount of excise duty is charged depending on the quantity of cigars and cigarillos.

Puerto Rico

Effective 1 July 2014, the definition of 'finished product' is added to the provisions of the excise tax on alcoholic beverages and refers to distilled spirits, wines or beers.

Effective 22 December 2014, the following changes apply:

- The definition of "wine" excludes tropical fruit wine, concentrated must wine and sub-standard wine for excise tax purposes.
- The annual production cap requirement for sub-standard wine or tropical fruit wine is reduced to 400,000 gallons (previously 2 million gallons). If the cap for annual production is exceeded, the higher excise tax applicable to wine applies.

Puerto Rico (Continued)

- The excise duty payable on distilled spirits stored in an authorized bonded warehouse, to be used in whole or in part in the production of cocktails, is the rate applicable to the distilled spirit only, provided the taxpayer elects to pay the tax before removing the distilled spirit from the bonded warehouse. In this case, the excise duty payable on the cocktail is limited to the distilled spirit used in its production, excluding all other content such as fruit juices, sodas, spices and other flavors
- Effective 15 March 2015, the excise tax on crude oil, unfinished oils or end products derived from oil and any other hydrocarbon mixture (excluding natural gas) increases from US$9.25 to US$15.50 per barrel in addition to any other applicable excise tax.

Russia

Effective 1 January 2015, the following excise duty changes apply:

- Rates are increased for certain types of excisable goods, including motor cars, different types of tobacco, cigarillos, bidis and kreteks.
- Rates on diesel fuel, petrol and domestic heating fuel are reduced.
- Benzene, paraxylene and orthoxylene become excisable products. Taxation arises on the final stage of refining accompanied by self-taxation of excise duty and a simultaneous excise offset accelerated by a special coefficient. The excise refund is made in amount of the difference between sums of excise duty and offset.
- Jet fuel becomes an excisable product. The taxpayers of excise duty for jet fuel are the companies included in the register of civil aircraft operators of Russia who own an operator's license.
- An excise duty for natural gas is introduced by law. Natural gas is subject to excise duty unless this would contravene any applicable international agreement. The excise duty is 30% of the value of sold natural gas, excluding customs payments and transportation expenses out of Russian territory, unless otherwise is provided by an applicable international agreement.

Rwanda

Rwanda's 2014–15 budget proposed an increase in the excise duty on telephone airtime from the current 8% to 10%.

Slovenia

Effective 6 January 2015, the excise duties on energy products have been reduced as follows:

- Petrol: €0.55425 per liter (previously €0.56385 per liter)
- Gas oil used as motor fuel: €0.44971 per liter (previously €0.46010 per liter)

Effective 6 January 2015, the excise duties on cigarettes have been increased as follows:

- Specific excise duty of €68.3730 per 1,000 cigarettes (previously €67.9221)
- Proportional excise duty of 22.0686% of the single-package retail price (previously 23.0078%)

Slovenia (Continued)

If the single-package retail price is lower than €3.41 (previously €3.31), excise duty of €106.00 per 1,000 cigarettes applies.

On 10 December 2014, the electronic system "e-TROD" was introduced, This system enables excise duties payers to file excise returns electronically. Currently, electronic filing is optional, but it is expected that it will become mandatory in the future.

South Africa

Legislation relating to a new carbon tax is expected during 2015.

Spain

Effective 1 January 2015, exemptions have been introduced for the fluorinated greenhouse tax.

Sri Lanka

The 2015 budget was presented on 24 October 2014, with the following excise duty changes taking immediate effect:

- The disposal of machinery used for more than 10 years in a Board of Investment company is exempted from duty.
- Excise (special provisions) duty is charged in lieu of VAT, national building tax (NBT), cess customs duty, and the ports and airport development levy on certain articles specified under Chapter 87 of the Customs Tariff.
- Excise duty is charged on the manufacture of liquor in lieu of VAT and NBT.
- Excise duty is charged on the manufacture or import of cigarettes in lieu of VAT and NBT.
- Import taxes on motor vehicles with engine capacity below 1,000 cc is reduced by 15%.

Sweden

Effective 1 January 2015, the following excise duty changes apply:

- The tax exemption for certain biofuels is reduced.
- The taxes on pesticides, natural gravel, and waste and thermal power in nuclear reactors are increased.
- The excise duties on tobacco products and alcohol are increased.
- A tax on fertilizers is increased.
- A tax credit is introduced for the micro-generation of renewable electricity (e.g., the production of electricity by individual households from renewable sources for their personal consumption — for example, by using solar panels).

The introduction of a distance-based road tax is being considered to encourage goods to be transported more by train or by boat instead of by road.

Tanzania

On 11 July 2014, the Tanzania Parliament passed the following changes:

- The removal of excise duty (0.15 %) on money transfers
- The introduction of excise duty on:
  - Fees for money transfers (e.g., bank charges) by banks, telecommunication companies and agencies at a rate of 10%
  - Imported furniture at a rate of 15%
- The imposition of excise duty on:
  - Imported vehicles aged 8 to 10 years: 15%
  - Imported vehicles aged more than 10 years: 30%
- An increase of excise duty on soft drinks and alcohol as follows:
  - Soft drinks: from TZS110 per liter to TZS200 per liter
  - Imported alcohol: from TZS2,631 per liter to TZS3,157 per liter
  - Locally made alcohol: from TZS341 per liter to TZS409 per liter
- Increase of excise duty on cigarettes as follows;
  - Cigarettes without filter tips: to TZS11,289 from TZS9,031 per thousand cigarettes
  - Cigarettes with filer tips: to TZS26,689 from TZS21,351 per thousand cigarettes
  - Other cigarettes: to TZS48,285 from TZS38,628 per thousand cigarettes

Tunisia

Effective 28 August 2014, the excise duty on marble, granite and other specific types of rocks was reduced from 50% to 25%.

United Kingdom

Effective 1 December 2014, a new insurance premium tax (IPT) exemption was introduced for certain insurance contracts relating to spacecraft, including satellites.

Effective 1 December 2014, general betting duty, pool betting duty and remote gaming duty are chargeable on operators' betting and gaming profits from transactions with UK customers, irrespective of whether the operator is located in the UK or elsewhere. The new rules are intended to create a level playing field by requiring all remote gambling operators to pay UK taxes on the gambling profits generated from UK customers, no matter where the operator is located.

Effective 1 March 2015, a new, higher (25%) rate of machine games duty will apply to the net takings from gaming machines where the charge payable for playing can exceed £5.

Effective 1 April 2015, the air passenger duty (APD) banding regime will be reformed by merging three former destination bands into one. This will result in a simpler two-tier system depending on the class of travel and whether the distance flown is lower than or exceeds 2,000 miles from London. From the same date, the higher rate of APD (which applies to certain luxury aircraft weighing above 20 tonnes and with fewer than 19 seats) will be set at six times the reduced rate (applicable to the lowest class of travel) and three times the standard rate (for scheduled premium

United Kingdom (Continued)

class travel).

Effective 1 May 2015, children under the age of 12 will be exempt from the reduced rate of APD. Effective 1 March 2016, this exemption will be extended to children under 16.

Following a review of how to improve tax transparency in ticket prices, the UK Government will consult on an amendment to the air services pricing regulations to require the separate display of APD.

Effective 1 April 2015, landfill tax will be devolved to Scotland. From this date, Scottish landfill tax will replace UK landfill tax in Scotland.

From the same date, the standard and lower rates of UK landfill tax will increase in line with inflation to £82.60 and £2.60 per tonne, respectively. These rates match the planned Scottish landfill tax rates to apply from 1 April 2015.

Effective 1 April 2015, the government will introduce a loss on ignition-testing regime on fines produced from the processing of waste at mechanical treatment plants. Only qualifying fines below a 10% threshold will be considered eligible for the lower rate of landfill tax. However, there will be a 12-month transitional period during which the threshold will be 15%.

The rate of aggregates levy remains at £2 per tonne.

Effective from the date that Finance Bill 2015 receives Royal Assent, the UK Government will introduce an 80% aggregates levy credit for aggregate commercially exploited in Northern Ireland between 1 April 2004 and 30 November 2010 following its importation from another EU Member State.

Effective 1 April 2015, the main rates of climate change levy will increase in line with inflation.

Effective 1 April 2015, fossil fuels used in a combined heat and power plant to generate good-quality electricity that is consumed on-site will be exempt from the carbon price floor.

Effective 1 November 2014, the government introduced a new requirement for businesses trading in alcoholic drinks to undertake effective due diligence on their supply chains, in order to reduce the illicit trade in alcohol products.

Effective 1 January 2016, legislation will be introduced to require wholesalers of alcohol, at or after an excise duty point, to be registered with the government. Penalties will be introduced for trading without having applied for registration and for purchasing alcohol from an unregistered wholesaler.

The government is consulting on the introduction of a new levy on tobacco manufacturers and importers.

Effective 2016, the government will have the power to impose additional anti-forestalling restrictions on clearances of tobacco products (i.e., removal for home use on payment of excise duty) in the three-month period before a budget. The purpose of the restrictions is to prevent tax avoidance through the stockpiling of duty-paid products before an increase in the rate of duty.

Effective 1 April 2015, a reduced rate of fuel duty will be applied to aqua methanol composed of 95% pure methanol and 5% water.

Effective 5 October 2015, the government will introduce a mandatory charge in England of £0.05 for single-use plastic carrier bags. Small businesses and biodegradable bags that meet certain criteria will be exempt from the charge. A similar charge already applies to single-use bags in Wales, Scotland and Northern Ireland.

Ukraine

Effective 1 January 2015, the following excise tax changes apply:

- The disposal of securities and transactions with derivatives are not subject to the "securities excise tax."
- A new 5% excise tax has been established for retail sales of excisable products to end consumers (for non-commercial use): beer and alcoholic beverages, tobacco products, and oil and fuel products (oil, liquefied gas, components of motor fuel and alternative motor fuel).
- Excise tax rates for almost all oil products, liquefied gas and components of motor fuel have increased.
- Excise tax has been introduced for electricity, liquefied natural gas (tariff code 2711 11 00 00), buses (heading 8702) and cargo vehicles (heading 8704).
- Increased excise tax rates are to apply to passenger cars (code 8703) and some motorcycles (heading 8711).

Vietnam

Effective 1 January 2016, aircraft used exclusively for national defense and security purposes are exempt from Special Consumption Tax.

From 1 January 2016, the Special Consumption Tax rates are increased on liquor and cigarettes and reduced on biofuels as follows:

Goods	Tax rate
Alcohol	
a) Alcohol with alcohol by volume (BV) of 20% or more	
1 January 2016 until the end of 31 December 2016	55%
From 1 January 2017 until the end of 31 December 2017	60%
From 1 January 2018	65%

Goods	Tax rate
b) Alcohol with ABV of under 20%	
1 January 2016 until the end of 31 December 2017	30%
1 January 2018	35%
Cigarettes	
Cigarettes, cigars and other products derived from tobacco plants	
1 January 2016 until the end of 31 December 2018	70%
1 January 2019	75%
Gasoline	
E5 gasoline	8%
E10 gasoline	7%

Zambia

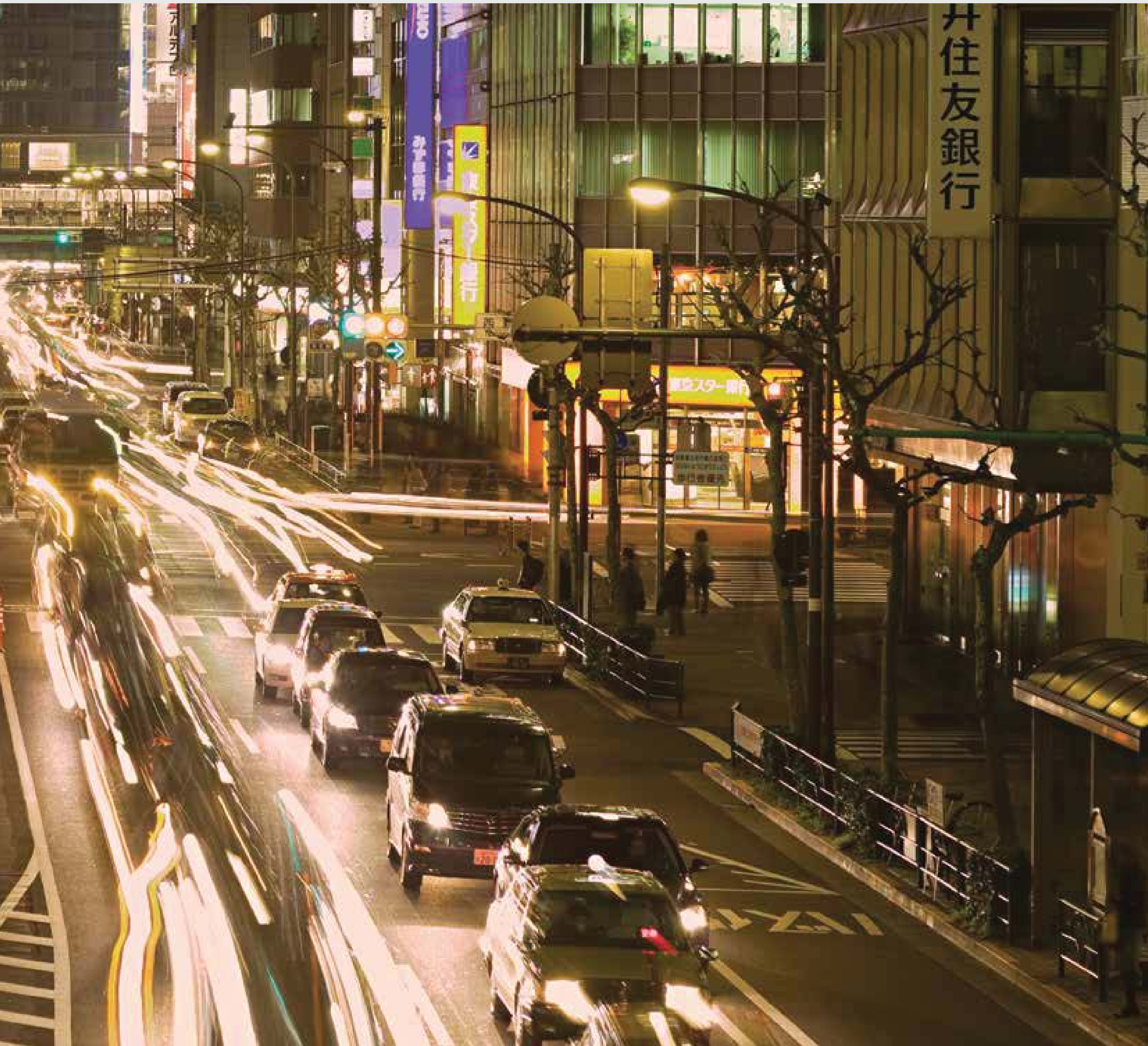
Effective 1 January 2015, the excise duty has increased on imported un-denatured spirits of alcoholic content of 80% or higher by volume to 125% from 0%. The increase applies only to importers who are not licensed to manufacture excisable products, while the licensed manufacturers will continue to account for excise duty at the point of sale of the manufactured potable spirits at 60%. These measures are intended to support the growth of local manufacturing industries.

Zimbabwe

Effective 1 December 2014, excise duties were increased on cigarettes from US$15 per 1,000 to US$20 per 1,000.

Effective 1 January 2015, excise duty is reduced on clear beer from 45% to 40%.

Global trade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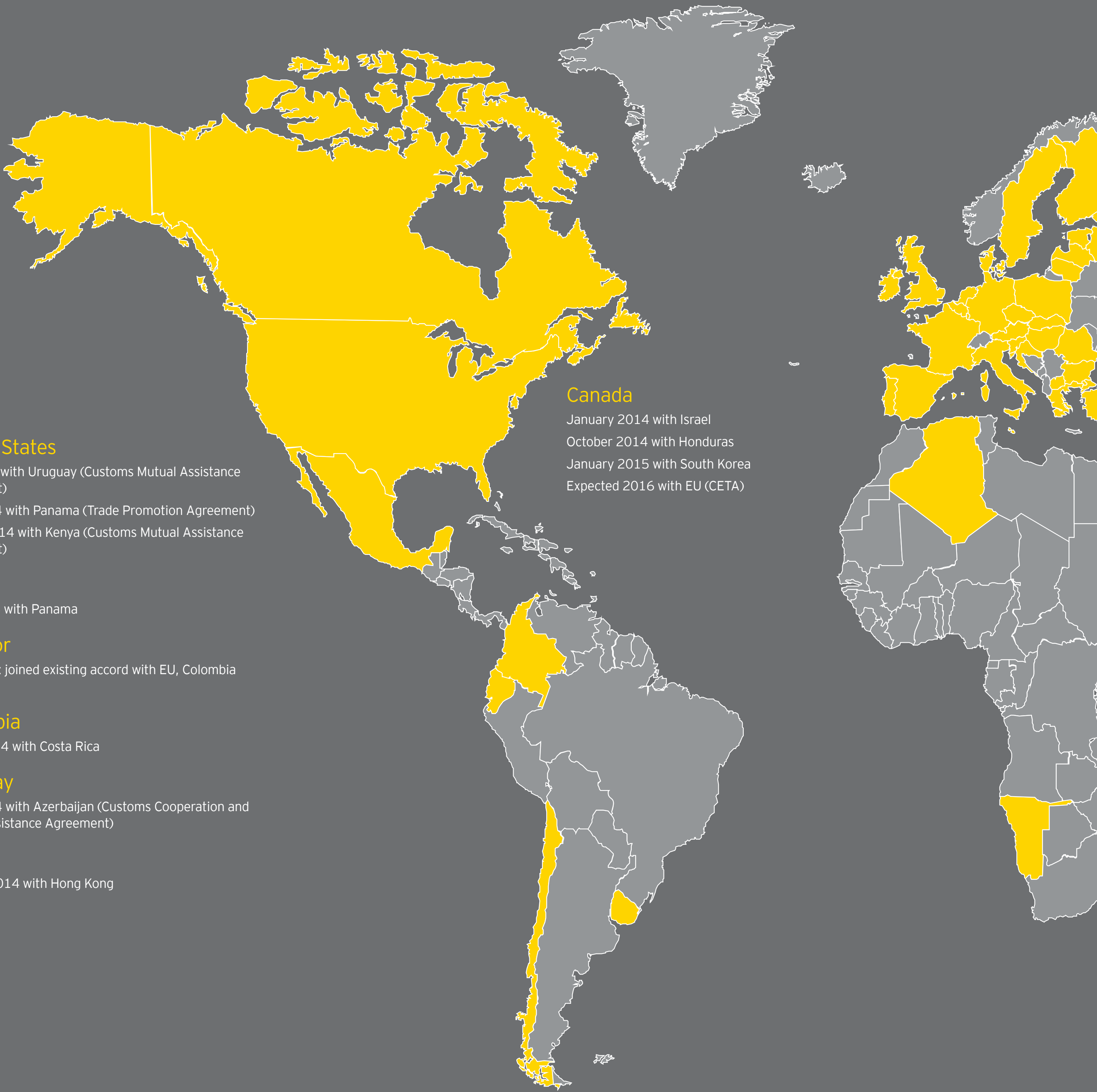
Global trade — free trade agreements



Canada
January 2014 with Israel

October 2014 with Honduras

January 2015 with South Korea

Expected 2016 with EU (CETA)

United States
May 2014 with Uruguay (Customs Mutual Assistance Agreement)

June 2014 with Panama (Trade Promotion Agreement)

August 2014 with Kenya (Customs Mutual Assistance Agreement)

Mexico
April 2014 with Panama

Ecuador
July 2014: joined existing accord with EU, Colombia and Peru

Colombia
March 2014 with Costa Rica

Uruguay
June 2014 with Azerbaijan (Customs Cooperation and Mutual Assistance Agreement)

Chile
October 2014 with Hong Kong

European Union

February 2014 with West Africa (Economic Partnership Agreement)

Georgia, Moldova and Ukraine (Association Agreement and Deep and Comprehensive Free Trade Area Agreements) – Georgia and Moldova: September 2014; Ukraine: December 2015

Kyrgyzstan

January 2015 with Armenia, Russia, Belarus and Kazakhstan (Accession Agreement)

Georgia

March 2014 with Azerbaijan (Customs Cooperation Agreement)

March 2014 with Kazakhstan (Customs Cooperation Agreement)

Russia

July 2014 Suspended FTA with Georgia (Eurasia)

October 2014 with Syria (Customs Cooperation and Mutual Administrative Assistance Agreement)

Macedonia, Serbia, Hungary

December 2014 signed Customs Cooperation Agreement with China

Japan

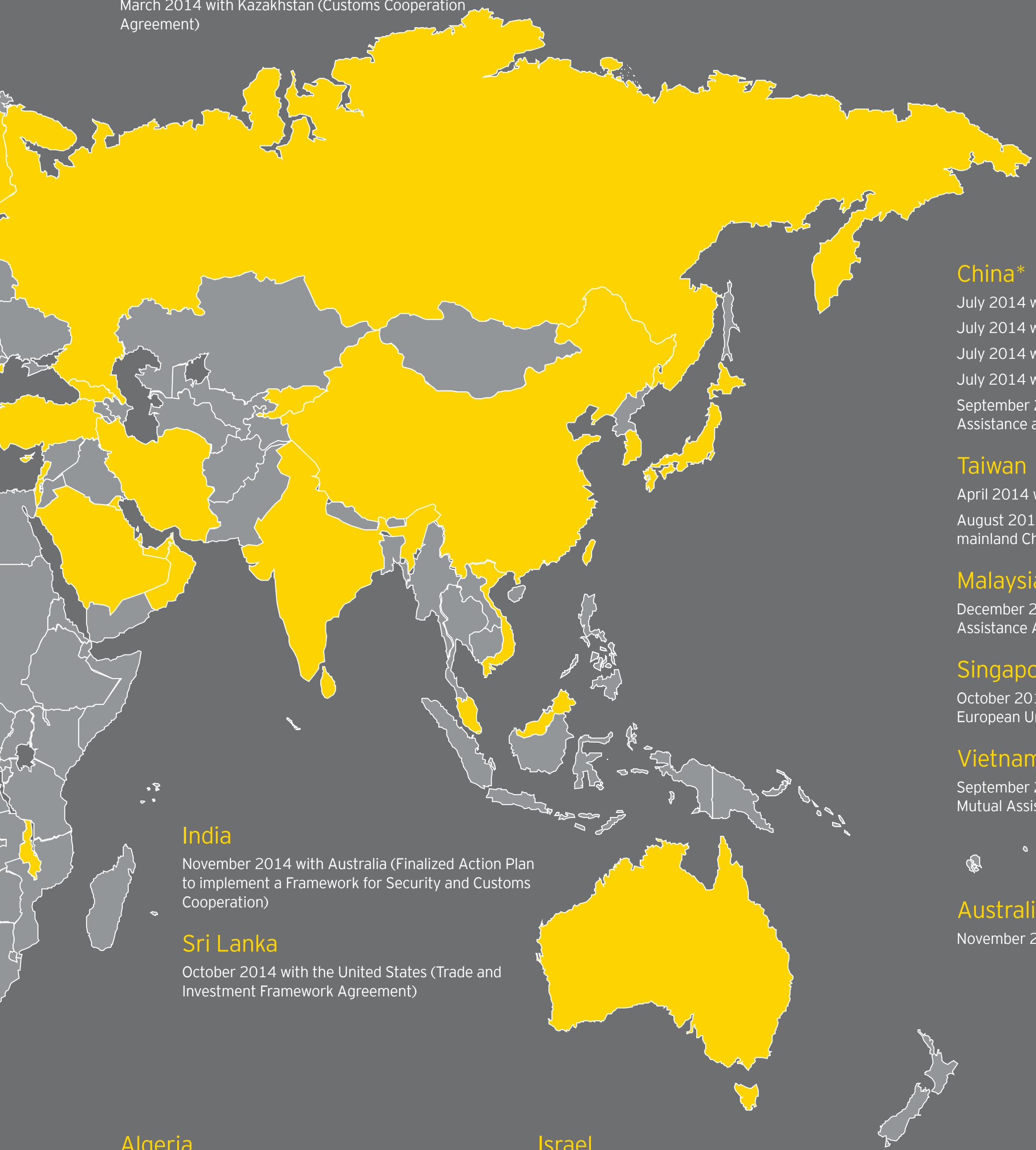
January 2015 with Australia (Economic Partnership Agreement)

July 2014 with Mongolia

South Korea

December 2014 with Australia

November 2014 concluded FTA negotiations with New Zealand Expected 2015 with China



China*

July 2014 with Switzerland

July 2014 with Iceland

July 2014 with Singapore

July 2014 with ASEAN countries

September 2014 with India (Mutual Administrative Assistance and Cooperation in Customs Matters)

Taiwan

April 2014 with Singapore (Economic Partnership)

August 2014: agreed to restart FTA talks with mainland China

Malaysia

December 2014 with the United States (Customs Mutual Assistance Agreement)

Singapore

October 2014: completed FTA negotiations with European Union

Vietnam

September 2014 with India (Customs Cooperation and Mutual Assistance Agreement)

India

November 2014 with Australia (Finalized Action Plan to implement a Framework for Security and Customs Cooperation)

Sri Lanka

October 2014 with the United States (Trade and Investment Framework Agreement)

Australia

November 2014 with China

Algeria

October 2014 with Mauritania (Customs Cooperation Agreement)

Namibia

November 2014 with Turkey (Trade and Economic Cooperation Agreement)

Malawi

October 2014 with China

Gulf of Cooperation Council (GCC)

Customs Union (January 2015)

Israel

December 2014 with Armenia (Customs Mutual Support Agreement)

Iran

June 2014 with Russia (Memorandum of Understanding on Customs Cooperation)

Turkey

January 2015 with Iran (Preferential Trade Agreement)

United Arab Emirates

June 2014 with Republic of Maldives (Customs Cooperation Agreement)

December 2014 with Sri Lanka (Customs Technical Cooperation Agreement)

*China refers to the China mainland tax jursidiction.

Free trade agreements

Free trade agreements (FTAs) and preferential trade agreements result from cooperation between at least two jurisdictions to reduce trade barriers, such as import quantity restrictions or import tariffs, and to increase trade with each other. The following FTAs or preferential trade agreements were either signed in 2014 (to be effective once ratified by the respective nations), entered into force or were modified during 2014, or are slated to go into effect during early 2015:

- Canada and Israel (signed in 1997; signed an expanded version and modernized in January 2014)
- China, Japan and South Korea held fourth round of FTA negotiations (March 2014; future negotiations continue into 2015)
- Colombia and Costa Rica (signed March 2014)
- Mexico and Panama (signed April 2014)
- South Korea and Australia (signed April 2014; entered into force December 2014)
- European Union and Georgia, Moldova, and Ukraine Association Agreement and Deep and Comprehensive Free Trade Area Agreements (Georgia: signed June 2014, effective September 2014; Moldova: signed and provisionally effective September 2014; Ukraine: signed September 2014, effective December 2015)
- China and Switzerland (effective July 2014)
- China and Iceland (signed April 2013; effective July 2014)
- Russia and Georgia (suspended July 2014)
- Japan and Mongolia (signed July 2014)
- China and Singapore (updated rules effective July 2014)
- China and ASEAN countries (effective July 2014)
- China (mainland) and Taiwan agreed to restart talks on a FTA (August 2014)
- Canada and Honduras (effective October 2014)
- Chile and Hong Kong (signed 2012; effective October 2014)
- Canada and South Korea (signed September 2014; effective January 2015)
- European Union and Ecuador (joined existing accord with EU, Colombia and Peru) (signed July 2014; FTA text published September 2014)
- Malawi and China (signed October 2014)
- Singapore and the European Union completed FTA negotiations (October 2014)
- South Korea and New Zealand (concluded FTA negotiations November 2014)
- Australia and China (negotiations completed November 2014)
- Armenia, Kyrgyzstan and Eurasian Economic Union of Russia, Belarus and Kazakhstan (accession January 2015)
- The Gulf Cooperation Council (GCC) Customs Union (effective January 2015)
- Iran and Turkey Preferential Trade Agreement (effective January 2015)
- China and South Korea (agreement made official November 2014; expected to go into effect in later half of 2015)

Other trade agreements and customs cooperation agreements

A number of other agreements impacting trade were concluded during 2014. Customs cooperation agreements, where countries share certain data to aid legal compliance, were drafted by numerous jurisdictions. Various trade agreements that do not provide reduced customs duties, but which foster trade in other ways, were also executed.

- European Union and West Africa Economic Partnership Agreement (EPA) (signed February 2014)
- Azerbaijan and Georgia Customs Cooperation Agreement (signed March 2014)
- Kazakhstan and Georgia Customs Cooperation Agreement (signed March 2014)
- Taiwan and Singapore Economic Partnership (ASTEP) (signed November 2013; effective April 2014)
- United States and Uruguay Customs Mutual Assignment Agreement (May 2014)
- United States and Panama Trade Promotion Agreement (effective June 2014)
- Azerbaijan and Uruguay Customs Cooperation and Mutual Assistance Agreement (signed June 2014)
- United Arab Emirates and Republic of the Maldives Customs Cooperation Agreement (June 2014)
- Iran and Russia Memorandum of Understanding on Customs Cooperation (signed June 2014)
- United States and Kenya Customs Mutual Assistance Agreement (signed August 2014)
- Canada and the European Union Comprehensive Trade and Economic Agreement (CETA) (FTA text published September 2014; ratification expected within two years)
- Vietnam and India Customs Cooperation and Mutual Assistance Agreement (September 2014)
- India and China Mutual Administrative Assistance and Cooperation in Customs Matters (September 2014)
- Algeria and Mauritania Customs Cooperation Agreement (October 2014)
- Russia and Syria Customs Cooperation and Mutual Administrative Assistance Agreement (signed October 2014)
- Sri Lanka and the United States Trade and Investment Framework Agreement (TIFA) (October 2014)
- India and Australia (finalized Action Plan to implement a Framework for Security and Customs Cooperation, November 2014)
- Namibia and Turkey Trade and Economic Cooperation Agreement (signed November 2014)
- Armenia and Israel Customs Mutual Support Agreement (signed December 2014)
- United States and Malaysia Customs Mutual Assistance Agreement (December 2014)
- Macedonia, Serbia, Hungary and China Customs Cooperation Agreement (signed December 2014)
- United Arab Emirates and Sri Lanka Customs Technical Cooperation Agreement (signed December 2014)
- Japan and Australia Economic Partnership Agreement (JAEPA) (effective January 2015)

Significant developments 2014-15

Angola

On 1 March 2014, Angola's new Customs Tariff went into effect.

On 18 September 2014, the government announced the creation of the General Tax Administration, which will be in charge of administering taxes and customs duties in Angola.

Armenia

On 13 November 2014, Armenia amended a number of customs decisions to introduce post-entry dispute settlement procedures regarding the classification of imported goods.

On 17 December 2014, Armenia's Parliament adopted amendments to customs and tax laws as part of Armenia's accession to the Eurasian Economic Union (EEU), which will be effective 1 January 2015.

Australia

On 3 April 2014, Australia's Customs and Border Protection (CBP) issued a Notice to update the classification of laser pointers with an accessible emission level greater than 1 mW for purposes of importation control under Schedule 13 of Customs (Prohibited Imports) Regulations 1956.

On 1 July 2014, the CBP revoked Australian Customs Notice No. 2000/30 (Free into Store Transactions (DDP/DDU)). An updated Notice on GST on DDP transactions is expected to be announced in 2015.

On 15 August 2014, Australia issued a current list of all fees and charges for declarations and licenses collected by the CBP.

On 3 December 2014, the CBP issued a notice to clarify the requirements in relation to international ships entering dry dock to undertake scheduled maintenance and repair.

Azerbaijan

Effective 19 November 2014, Azerbaijan amended its Customs Code to expedite the processing of customs declarations.

Under the amended code, processing will take one day instead of the previous three days.

Bangladesh

On 28 December 2014, Bangladesh announced reduced customs duty on certain products from the South Asian Free Trade Area (SAFTA) member countries[1] under an agreement signed in 2004 and in force effective 2006, which provides for tariff reduction over a 10-year period.

Belarus

Effective 1 January 2015, export duty was introduced on crude oil produced in Belarus.

Canada

In January 2014, the Canadian International Trade Tribunal (CITT) published a decision in the case *Skechers USA Canada Inc. vs. The President of the Canada Border Services Agency,* a landmark case that dramatically impacts the liability to customs duty of related-party costs for research and development (R&D) and design.

On 16 June 2014, the Canada Border Services Agency (CBSA) announced amendments to the Departmental Consolidation of the Customs Tariff.

Effective 30 September 2014, the CBSA required all applicants of advance rulings and National Customs Rulings to express either consent or not consent to the publication of their rulings on the CBSA website.

On 30 December 2014, the CBSA announced a pilot project for Electronic Export Reporting of Controlled Goods Process for exporters using multiple Department of Foreign Affairs, Trade and Development (DFATD) permits.

Cape Verde

Effective 1 January 2015, the importation of equipment and other listed goods for the implementation of the digital terrestrial television project is partially or fully exempt from customs duty, subject to certain conditions.

1. Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

China[2]

China Customs issued the 2014 Automatic Import License Administration Goods Catalog, which applies from 1 January 2014. The catalog consists of a list of goods by Harmonized Tariff Schedule (HTS) number, which is published under the Foreign Trade Law, PRC Import and Export Regulations, and Automatic Import License Cargo Management Approach.

Effective 1 January 2014, China's Ministry of Commerce and the General Administration of Customs (GAC) revised the Dual-use Items and Technology Import and Export License Management Catalog.

On 5 March 2014, China, Japan and South Korea held a fourth round of negotiations to agree on an FTA. Future negotiations continue into 2015.

China's Import and Export 2014 explanatory notes were newly added or amended reflecting technology advances in various products, effective 1 September 2014. The amendments affect certain tariff codes under headings 2710, 2811, 3104, 3215, 3824, 6911, 7002, 8442, 8462, 8477 and 8536.

Effective 15 October 2014, the GAC announced the abolition of the zero most-favored nation (MFN) duty rates for imported anthracite (HTS 27011100), coking coal (HTS 27011210), coking other than bituminous coal (HTS 27011290), other coal (HTS 27011900), and briquettes and other fuels (HTS 27012000). The GAC implemented the following import duty rates: 3% for anthracite and coking coal, 6% for coking other than bituminous coal, and 5% for other coal and fuel briquettes.

Effective 1 January 2015, the customs duty for ethylene was reduced to 1% from 2%.

Effective 1 January 2015, adjustments were made to several import tariffs, specifically for MFN, preferential duty rates, and export duty rates. The goods affected include imported fuel oil and other commodities, 46 kinds of photographic materials and other commodities, wheat and selective IT products.

Colombia

On 23 December 2014, Congress adopted a tax reform law. As part of this reform, a commission is being set up to review a number of taxes, including customs duties, in order to propose reforms focused on eliminating tax evasion. The tax reform also establishes a potential settlement for tax, customs and foreign-exchange burden obligations incurred before 2012, as well as for tax due to municipalities. This potential settlement could result in a reduction in interest and penalties payable by taxpayers.

Dominica

Effective 1 August 2014, the import duty of 5% and the customs service charge of 3% that applied to computers were removed.

Effective 1 January 2015, baby wipes and adult disposable diapers are no longer subject to import duties.

2. China refers to the China mainland tax jursidiction.

Ecuador

Effective 5 January 2015, the Committee of Foreign Trade issued a resolution that imposes a 21% customs duty on Colombian imports and a 7% customs duty on Peruvian imports.

The measure is in response to the devaluation of the Colombian peso and the Peruvian sol, which adversely affected Ecuador's economy.

Ethiopia

On 16 June 2014, the House of People's Representatives proposed a draft customs proclamation that aims to modernize Ethiopia's customs framework.

Eurasian Economic Union (EEU)

Effective 1 January 2015, Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia formed the Eurasian Economic Union.

European Union (EU)

On 3 February 2014, the European Commission updated a summary of Overview of FTA and Other Trade Negotiations to which the EU is a party. The summary provides updated information on the negotiating directives, current status, and next steps by country or bloc of countries.

On 6 February 2014, the EU and West Africa reached a compromise on an Economic Partnership Agreement (EPA), which is intended to provide 16 West African countries with long-term access to the European market, without being subjected to tariffs or quotas.

On 25 February 2014, the EU issued the Six-monthly Progress Report on the implementation of the EU Strategy Against the Proliferation of Weapons of Mass Destruction.

On 12 March 2014, the European Commission adopted a proposal for temporary cuts in duties on Ukrainian exports to the EU.

On 4 April 2014, the European Parliament approved nearly 98% of customs duties liberalization for imports from Ukraine.

On 29 October 2014, the European Commission submitted to the European Parliament and Council a draft update of the EU Dual-Use List. Updates were adopted via **Commission Delegated Regulation (EU) No 1382/2014**. The new changes are applicable for economic operators as of 31 December 2014.

France

In May 2014, authorities announced the creation of the National Single Window or one-stop-shop *(guichet unique national,* or GUN in French) for all export operations for mid-2016. However, the government did not indicate a date for the implementation of the GUN for the import operations.

French Polynesia

Effective 2015, electric vehicles and batteries for electric vehicles are exempted from import taxes.

Gulf Cooperation Council (GCC)

Effective 1 January 2015, the customs union of the GCC[3] came into force.

Hungary

After Parliament accepted the tax amendments package for 2015, the following main changes were made in the customs duty rules:

- The system of customs audits is reorganized.
- Rules on customs penalty are changed in the case of customs shortfalls:
  - The general rate of customs penalty is increased from 50% to 100% of the customs shortfall.
  - The rate of customs penalty is 200% of the customs shortfall in the case of excise goods if the obligation to present excise goods to customs or submit a customs declaration is not met.
  - The rate of customs penalty will be 75% of the customs shortfall if the customs authority levies the penalty in the frame of an accelerated customs audit procedure.

India

India amended the Drugs and Cosmetics Rules 1945 to prohibit the importation of any cosmetic products that have been tested on animals. The new rule went into effect on 13 November 2014.

Indonesia

On 12 January 2014, Indonesia implemented a ban on exports of raw minerals (e.g., nickel, bauxite and ore) to help stimulate domestic processing.

Indonesia joined the Revised Kyoto Convention (RKC), also known as the International Convention on the Simplification and Harmonization of Customs Procedures. The RKC took effect for Indonesia on 22 November 2014.

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

Iraq

Effective 1 January 2004, an Iraq Reconstruction Levy of 5% of the taxable value of goods imported into Iraq was introduced. A limited list of items (mainly food, medicine and medical equipment, clothing and books) is exempt.

Effective 1 January 2014, the Customs Duty Law came into force (the previous customs law was suspended in 2003). The customs tariff contains customs duty rates of between 5% and 40%, and exemptions are available for certain goods. However, in practice, the application of the Customs Duty Law is extremely inconsistent, and the rates of customs duty applied do not appear to follow the customs tariff. This inconsistency appears to have been exacerbated by the recent wave of political instability in Iraq.

Italy

VAT and customs reliefs are available for exhibitors participating in the Universal Exposition "Feeding the Planet, Energy for Life" (EXPO 2015) being held in Milan between 1 May and 31 October 2015.

Japan

Effective 1 January 2014, Japan Customs issued the latest Japan Tariff Schedule.

On 1 April 2014, Japan adopted new guidelines on arms exports.

Kazakhstan

Kazakhstan and Kyrgyzstan will eliminate customs controls between the two countries as part of the implementation procedures for Kyrgyzstan's accession to the EEU effective 8 May 2015.

Madagascar

Effective 19 December 2014, increased customs rates of 5% on certain tools and 10% on sugar and flour were applied. The country's customs duty procedure was also simplified to comply with the Kyoto Convention.

Malawi

On 2 September 2014, the budget for 2014–15 was published. Changes to customs duties with immediate effect included:

- Removal of import duty on minibuses not older than five years
- Abolition of the import duty exemption on automated teller machines (ATMs), point-of-sale devices and mobile banking vans imported by banks

Mexico

From 24 January 2014 to 23 January 2016, the Administrative Committee of the Mexico-Colombia FTA will grant a temporary waiver for certain textile and apparel goods produced or obtained outside the free trade area that would receive preferential duty treatment under the Mexico-Colombia FTA.

On 22 May 2014, Mexico's President issued various amendments to the regulations under the Foreign Trade Law.

On 3 September 2014, Mexico's Secretariat of the Treasury and Public Credit, Tax Administration Service, issued various amendments to the General Rules on Foreign Trade for 2014.

On 17 October 2014, Mexico and the United States signed an agreement to mutually recognize two customs security programs that are currently in place in the two countries, with the goal of creating a common structure aimed at streamlining and securing cargo trade. The two programs are the Customs-Trade Partnership Against Terrorism (C-TPAT) in the US and the New Certified Companies Scheme (Nuevo Esquema de Empresas Certificadas, or NEEC) in Mexico.

Netherlands

The Protocol Amending the Agreement on Government Procurement, completed in Geneva on 30 March 2012, entered into force for the Netherlands with respect to Aruba on 31 October 2014.

Norway

Effective 1 January 2015, the price limits for the simplified customs clearance procedure have been increased from NOK1,000 to NOK3,000. The procedure is applicable only for consignments of goods subject to customs duties (e.g., clothes) to private individuals.

Effective 1 January 2015, the customs authorities have made a number of changes to simplify the Norwegian Customs Tariff. A certain number of codes that were not in use were removed or merged (especially under Chapters 85 and 90). Furthermore, it has been decided to zero-rate more than 100 commodity codes corresponding to agricultural products, where the rates did not previously exceed NOK1 per kg.

Effective 1 January 2015, the free trade agreement signed between Bosnia and Herzegovina and EFTA has been implemented. Accordingly, where the conditions set by the agreement are fulfilled, goods imported from Bosnia and Herzegovina shall qualify for preferential treatment.

Effective 1 January 2015, an export duty is imposed on the export of fish and fish products from the Norwegian mainland and territorial waters. The duty is also applicable if the fish products are exported directly from the fishing grounds located outside the customs area.

Effective 10 November 2014, the Ministry of Trade, Industry and Fisheries has reinstated the former duty exemption for fish and fish products, which are transited through Norway. The exemption is applicable on foreign-caught fish and fishery products, which in accordance with the applicable regulations have not received customs clearance in Norway and are transported directly abroad.

Pacific Alliance

On 11 February 2014, the Pacific Alliance,[4] which was formed to promote trade with Asia, announced a tariff elimination agreement affecting 92% of products. The Pacific Alliance's Additional Protocol Annexed to the Framework Agreement is now subject to ratification by each country's legislature before it goes into effect.

Pakistan

Effective 26 June 2014, a regulatory duty on import of goods at 5% was imposed on goods falling under 282 tariff codes, including fruits, vegetables, beverages, electrical appliances, furniture, toiletries, marble and granite.

Russia

During 2014, the US and EU implemented a number of economic sanctions impacting Russia's financial services and energy sectors.

Rwanda

The 2014–15 Budget proposed the following customs duty changes:

- 0% import duty for telecommunication equipment
- Reduction of import duty on road tractors for semi-trailers from 10% to 0%
- Reduction of import duty on road tractors for semi-trailers of 5 to 20 tons from 25% to 10%
- Reduction of import duty on road tractors for semi-trailers above 20 tons to 0%
- 10% import duty on passenger vehicles with a seating capacity of fewer than 25 people
- 0% import duty on passenger vehicles carrying more than 25 people
- Import duty reduction from 35% to 0% on wheat flour
- Import duty reduction from 100% to 0% on sugar
- Import duty reduction from 75% to 45% on unprocessed rice
- Import duty reduction from 35% to 25% on cement

4. Colombia, Chile, Mexico and Peru.

South Africa

During October 2009 the South African Revenue Service (SARS) published the Customs Duty and Control Bills for public comment. These are intended to replace the current Customs and Excise Act 91 of 1964 (except for the part dealing with excise duties, which will be retained until the new Excise Act is implemented). The prior act has not been able to keep up with global trade advancements and is not aligned to the revised Kyoto Convention.

Following a rigorous commentary process (five years), the bills were promulgated into Acts of Parliament in July 2014. However, these pieces of legislation will take effect on a date determined by the President by Proclamation. Subsequent to the acts' promulgation, SARS has released four batches of draft rules to the Duty and Control Acts for public (expected to be finalized during the first quarter of 2015).

The Customs Duty and Control Acts are planned to mostly be implemented by July 2015. The implemented acts will, however, exclude sections dealing with imports and export by post, the Voluntary Declaration Program, and advanced rulings, as well as expedited clearances and releases.

Taiwan

Effective 24 February 2014, the Bureau of Foreign Trade announced a revised Restricted Export Goods List. The list includes 17 harmonized tariff system (HTS) codes under headings 8486 and 9031 (specifically machines for processing of semiconductor wafers), under which the exporter may apply for an export permit using an affidavit instead of a consent form approved by Taiwan's Industrial Development Bureau.

Taiwan's Ministry of Finance, Customs Administration, announced that effective from 15 October 2014 to 14 April 2015, a 50% reduction applies to import duty rates for lean meat, pork fat, lard, other pig fat and poultry fat (HTS 02091000, 15011000, 15012000, 15019000).

Effective 1 January 2015, Taiwan's Ministry of Finance Customs Department will implement the tobacco import license requirement for tobacco products imported into Taiwan's logistics centers and bonded warehouses (excluding duty-free shops and international passenger airlines' bonded warehouses).

Tanzania

On 24 June 2014, Tanzania's Parliament passed the 2014–15 National Budget, containing the following changes:

- Reduction in the export levy on raw hides and skins from 90% or TZS900 per kg to 60% or TZS600 per kg
- Import duty exemption on electronic fiscal devices for one year
- Import duty exemption on machinery spares and inputs used for the development and generation of wind and solar energy
- Payment of taxes on imported petroleum products upon assessment (previously, it was within 45 days)

Ukraine

A law has been passed (but has not yet come into force) that establishes an import surcharge for a 12-month period. The surcharge will be levied on the customs value of goods being imported into Ukraine regardless of their origin or effective free trade agreements:

- 10% for goods classified under Chapters 1-24 of Ukraine's Customs Classification (agricultural goods)
- 5% for goods classified under Chapters 25-97 of Ukraine's Customs Classification (industrial goods)
- 10% for goods subject to customs duty upon importation by individuals

Exemption from the surcharge will be granted for "vital" commodities, which include oil, natural gas, new fuel elements, electricity, coal, gasoline, diesel fuel, humanitarian and technical aid, and certain medical goods.

The additional import surcharge will take effect on the date of the publication of the governmental decision regarding completion of consultations with international financial organizations.

United Kingdom

On 21 January 2014, the UK's Export Control Organisation (ECO) published a Joint Strike Fighter (F-35 Lightning II) OGEL (general license), effective 6 January 2014.

On 18 March 2014, the ECO suspended all licenses and license applications for export to Russian military that could be used against Ukraine.

The ECO published amendments to the Export Control Order 2008 in line with updates under the Wassenaar Arrangement. The amendments, in effect as of 17 May 2014, replace Schedule 2 and introduce a change in Schedule 3.

The ECO introduced a discretionary, site-specific certificate for exporters who achieve full compliance at audit, effective 1 July 2014.

The United Kingdom amended OGEL: International Non-Proliferation Regime Decontrols: Dual-Use Items, effective 18 July 2014.

On 14 August 2014, the ECO added Russia to the list of non-permitted destinations on a number of export licenses.

United Nations

The United Nations' Arms Trade Treaty went into effect on 24 December 2014. Since the treaty opened for signature on 3 June 2013, 130 states have signed and 60 have ratified it.

United States

Under the revised Harmonized Tariff Schedule of the United States (HTSUS) for 2014, importers of certain merchandise eligible for duty preferences under the Agreement on Trade in Civil Aircraft, Agreement on Trade in Pharmaceutical Products, or Uruguay Round Concessions on Intermediate Chemicals for Dyes may be exempt from the merchandise processing fee (MPF). The exemption applies where goods are imported from a country with which the United States has an FTA that provides the MPF exemption,[5] when marked (or eligible to be marked) with their country of origin. The exemption may therefore apply to goods that may not otherwise satisfy the specific preferential rules of origin under the applicable FTA.

On 9 January 2014, a bill entitled the Bipartisan Congressional Trade Priorities Act of 2014 was introduced in the House of Representatives, which proposed to grant fast-track negotiating authority to the President for trade agreements. Congress may approve or disapprove fast-track agreements but may not introduce amendments. The bill was referred to the House Committee on Ways and Means and to the Committees on Rules and the Budget. It is currently in the final stages of the legislative process and is expected to be passed by the House and Senate in 2015.

On 9 January 2014, a global aluminum producer agreed to pay US$384 million to settle civil and criminal charges arising from its violation of the Foreign Corrupt Practices Act (FCPA) when a subsidiary paid alleged bribes to government officials in Bahrain. The government noted that the company lacked internal controls to detect and prevent bribes.

On 14 January 2014, United States Customs and Border Protection (CBP) proposed to streamline documentation requirements for goods imported from US insular possessions[6].

On 3 February 2014, the CBP announced a plan to modify the National Customs Automation Program (NCAP) test concerning Cargo Release functionality in the Automated Commercial Environment (ACE) test to include expansion to the ocean and rail transportation. The test will run until approximately 1 November 2015.

The CBP has a new anti-dumping/countervailing duty (AD/CVD) search site with improved search functionality, which provides faster and more accurate access to copies of publicly available AD/CVD instructions.

On 6 February 2014, the Bureau of Industry and Security (BIS) proposed clarifying and redefining certain terms of the Export Administration Regulations (EAR) regarding routed export transactions, specifically the delegation of license requirements determination and licensing responsibility to a foreign principal party.

On 19 February 2014, President Barack Obama signed an Executive Order entitled Streamlining the Export/Import Process For America's Businesses. The Executive Order provides for completion and government-wide use of the International Trade Data System (ITDS) by the end of 2016. ITDS is an automated capability that will allow businesses to transmit the data required by the US Government for the importation and exportation of goods through an "electronic single-window."

On 7 March 2014, the International Trade Commission issued the 2014 allocation of duty exemptions for watch producers in the US Virgin Islands. The program also covers the United States territories of Guam, American Samoa and the Northern Mariana Islands.

On 31 March 2014, the US Trade Representative issued the 2014 National Trade Estimate Report on Foreign Trade Barriers.

5. These include Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Mexico, Nicaragua, South Korea, Oman, Panama, Peru and Singapore.
6. US Virgin Islands, Guam, American Samoa, Wake Island, Midway Islands, and Johnston Atoll and the Commonwealth of the Northern Mariana Islands.

United States (Continued)

The US Department of Justice amended the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) regulations to remove those defense articles currently on the US Munitions Import List (USM) that the ATF by delegation determined no longer warrant import control under the Arms Export Control Act. The effective date was 28 April 2014.

In April 2014, the CBP published an Informed Compliance Publication on Classification of Tires.

On 9 April 2014, a technology company based in California has agreed to pay more than US$108 million to settle charges under the FCPA related to alleged improper payments to government officials in Russia, Poland and Mexico to obtain favorable public contacts. The SEC noted that the company lacked internal controls to detect and stop illegal payments.

The CBP adopted a Final Rule implementing the extension of duty-free treatment under the Generalized System of Preferences (GSP) to non-textile articles normally excluded from GSP duty-free treatment that are not import-sensitive, as well as the entry of specific textile and apparel articles free of duty and free of any quantitative limits, effective 26 June 2014.

The BIS published a final rule to amend the Export Administration Regulations (EAR) to implement changes to the missile technology control regime (MTCR) Annex. Effective 27 May 2014, the rule revised the following Export Control Classification Numbers (ECCNs): 1B102, 1B117, 1D001, 1D018, 1D101, 6A107, 9A101, 9A102 and 9B106. Additionally, the rule revised the definitions of the terms "payload" and "repeatability."

The CBP initiated the testing of the Trusted Trader Program. Effective 16 June 2014, the CBP-accepted company applications to participate in the program.

On 19 June 2014, a California-based circuit manufacturer settled charges of alleged export controls violations that occurred when the company exported and re-exported items to prohibited destinations because it erroneously classified its radiation-hardened and -tolerant circuits as being regulated under Department of Commerce, whereas they were actually found on the munitions list.

On 25 June 2014, the Office of Foreign Assets Control in the U.S. Department of the Treasury issued the 22nd Annual Report to the Congress on Assets in the United States Relating to Terrorist Countries and International Terrorism Program Designees.

On 26 June 2014, President Obama designated the Republic of Madagascar as a beneficiary Sub-Saharan African country and terminated the beneficiary status of the Kingdom of Swaziland as a beneficiary Sub-Saharan African country.

On 28 July 2014, a firearms manufacturer agreed to pay US$2 million to settle SEC charges that the company allegedly made illegal payments to officials in Pakistan, Indonesia and other countries to secure lucrative contracts. The SEC noted that the company lacked proper internal controls to detect in a timely manner the allegedly illegal payments.

On 1 July 2014, the U.S. Department of Commerce, the BIS and the US Department of State issued final rules in line with the Administration's Export Control Reform Initiative, whereby various types of articles that no longer warrant control on the USML under the International Traffic in Arms Regulations (ITAR) would be controlled on the Commerce Control List (CCL) in accordance with the requirements of the EAR. According to the final rules, military electronics, technology and software for certain wing-folding systems, as well as certain superconducting and cryogenic equipment and related items, currently on the USML would be controlled under the CCL.

United States (Continued)

On 4 August 2014, the BIS, Department of Commerce issued a Final Rule that implements partially the Wassenaar Arrangement 2013 Plenary Agreements.[7] This rule also extended the controls on specified fly-by-wire source code software and technology until 20 June 2015 and revises the license requirements for Mexico on the Commerce Country Chart because of its recent membership in multiple multilateral export control regimes.

On 4 August 2014, the BIS of the Department of Commerce updated Export Control Classification Number 0Y521, *Series Supplement — Biosensor Systems and Related Software and Technology*, to reflect their EAR99 designation effective 28 March 2014.

Effective 7 August 2014, the BIS of the Department of Commerce issued a Final Rule that implemented certain understandings reached at the 2005, 2012 and 2013 Nuclear Suppliers Group (NSG) Plenary meetings. Additionally, Croatia, Estonia, Iceland, Lithuania, Malta, Mexico and Serbia were added to the list of participating countries in the NSG with the corresponding removal of license requirements.

The U.S. Bureau of the Census of the Department of Commerce issued an interim Final Rule to amend the Foreign Trade Regulations for clarification on uses of Electronic Export Information. The rule went into effect on 22 August 2014.

The BIS of the Department of Commerce issued a Final Rule and technical amendment, effective 5 September 2014 and 7 August 2014, respectively, that implement the NSG Understandings reached at the 2005, 2012 and 2013 Plenary Meetings and a 2009 NSG Inter-sessional Decision. Additionally, BIS added Croatia, Estonia, Iceland, Lithuania, Malta, Mexico and Serbia as participating countries and corrected certain technical errors.

On 12 September 2014, the Bureau of the Census reinstated a number of exemptions for temporary exports/carnets and for goods that were imported under a Temporary Importation Bond (TIB) for return in the same condition as when imported. These exemptions were eliminated by a Final Rule published on 14 March 2014 but were reinstated after the trade community raised a number of concerns related to Foreign Trade Regulations compliance.

On 10 October 2014, the US Department of State issued a Final Rule to amend the International Traffic in Arms Regulations (ITARs) by making certain corrections, clarifications and movement of definitions relating to certain control parts, components, accessories and attachments for specified articles.

The BIS of the U.S. Department of Commerce issued an interim Final Rule, effective 15 October 2014, that amends the CCL regarding integrated circuits, helicopter landing system radars, seismic detection systems and technology for IR up-conversion devices. Correspondingly, the interim Final Rule also amends certain existing Export Control Classification Numbers (ECCNs) and introduces certain new ECCNs.

On 13 November 2014, the US and India reached an agreement on India's food stockpiling program, which is expected to enable India to ratify the World Trade Organization Trade Facilitation Agreement (WTO TFA). The WTO TFA is part of the Bali package of WTO agreements adopted at the WTO Ninth Ministerial Conference in Bali, Indonesia, in 2013.

On 7 November 2014, the US Department of Commerce imposed a new license requirement on the export, re-export or transfer (in-country) of certain items to or within Venezuela when intended for a military end use or end user. This change complements an existing US arms embargo against Venezuela for its failure to cooperate in areas of counterterrorism.

7. Agreements on cybersecurity will be addressed in a future rule.

United States (Continued)

The U.S. Department of State amended the ITAR to reflect a change in its policy on exports to Vietnam. The Final Rule went into effect on 10 November 2014.

On 12 November 2014, the US Department of Commerce, BIS and the U.S. Department of State issued final rules that make clarifications and corrections to interim Final Rules in line with the Administration's Export Control Reform Initiative where various types of articles that no longer warrant control on the USML under the ITAR would be controlled on the CCL under the EAR. Accordingly, spacecraft and related items, currently under Category XV of the USML are controlled under the CCL in new ECCNs 9A515, 9B515, 9D515 and 9E515, as well as under certain existing ECCNs. The Final Rules went into effect on 10 November 2014.

On 20 November 2014, the U.S. Department of Commerce created a new web search tool for the Consolidated Screening List (CSL) through the Trade Developers Portal Application Programming Interface (API). The CSL is a streamlined collection of nine different screening lists from various US agencies, and it contains names of individuals and companies with whom a US company may not do business due to US export regulations, sanctions or other restrictions.

On 9 December 2014, the U.S. Department of the Treasury issued an updated list of countries that "require or may require participation in, or cooperation with, an international boycott." The countries on the list (unchanged from previous years) are Iraq, Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, Syria, United Arab Emirates and Yemen.

On 15 December 2014, the United States Trade Representative (USTR) determined that Guinea and Madagascar have each adopted effective visa systems and related procedures to qualify for the textile and apparel benefits provided for under African Growth and Opportunity Act (AGOA).

On 17 December 2014, President Obama announced plans for an overhaul of the US embargo against Cuba and to restore diplomatic ties.

On 17 December 2014, the BIS of the U.S. Department of Commerce issued a Final Rule to amend the microprocessor military end-use and end-user control in the EAR. Additionally, the rule adds a prohibition on the use of license exceptions and otherwise expands license requirements for exports, re-exports or in-country transfers of microprocessors subject to the military end-use and end-user restriction.

On 23 December 2014, the BIS of the U.S. Department of Commerce issued a Final Rule to clarify the scope of certain "600 series" ECCNs, which were introduced into the CCL as part of President Obama's export control reform initiative to cover items of a military nature that the President has determined no longer warrant control on the USML.

On 23 December 2014, the BIS of the U.S. Department of Commerce issued a Final Rule that expands national security controls on certain electronic commodities controlled on the CCL and to limit license exceptions for these items. This rule also expands license requirements for certain exports and re-exports to Hong Kong.

On 30 December 2014, President Obama designated Guinea-Bissau as a beneficiary sub-Saharan African country under the AGOA and terminated the designation of South Sudan and The Gambia as a beneficiary developing country for purposes of AGOA, effective 1 January 2015. He also made modifications to the HTS accordingly and introduced other modifications and corrections under the US-Israel FTA and US-Bahrain FTA deemed necessary to promote the uniform application of the International Convention on the Harmonized Commodity Description and Coding System.

Vietnam

Effective 1 January 2015, Vietnam's Customs Law 2014 came into force. It provides customs procedural guidance to customs brokers and authorized economic operators. It also includes detailed regulations on advance rulings requests in classification of goods and declaration, physical inspection and formalities to imported goods for processing, export manufacturing and post-clearance audits.

Wassenaar Arrangement

On 6 December 2014, the Wassenaar Arrangement member states[8] agreed to increase surveillance of international trading in sensitive dual-use civilian items, such as carbon fibers, global positioning systems and high-performance computers. According to the new rules, participating countries will notify the other member states of any denials of transfer immediately instead of once every six months as was the practice previously.

World Trade Organization

On 12 May 2014, WTO members discussed a proposal to update Decision 4.1 regarding customs valuation of software and data on the basis of the cost of the carrier media (e.g., magnetic tapes, CDs and DVDs).

On 31 July 2014, India effectively vetoed the Trade Facilitation Agreement by demands for concessions on India's system of subsidizing and stockpiling crops. The Bali Package is a multilateral trade deal under the Doha Development Agenda of the Doha Round (2001) that includes a number of Ministerial Decisions and Declarations, such as the Agreement on Trade Facilitation. The agreement proposes to streamline and harmonize global customs rules.

Zimbabwe

Effective 1 January 2015, the following customs duty changes apply:

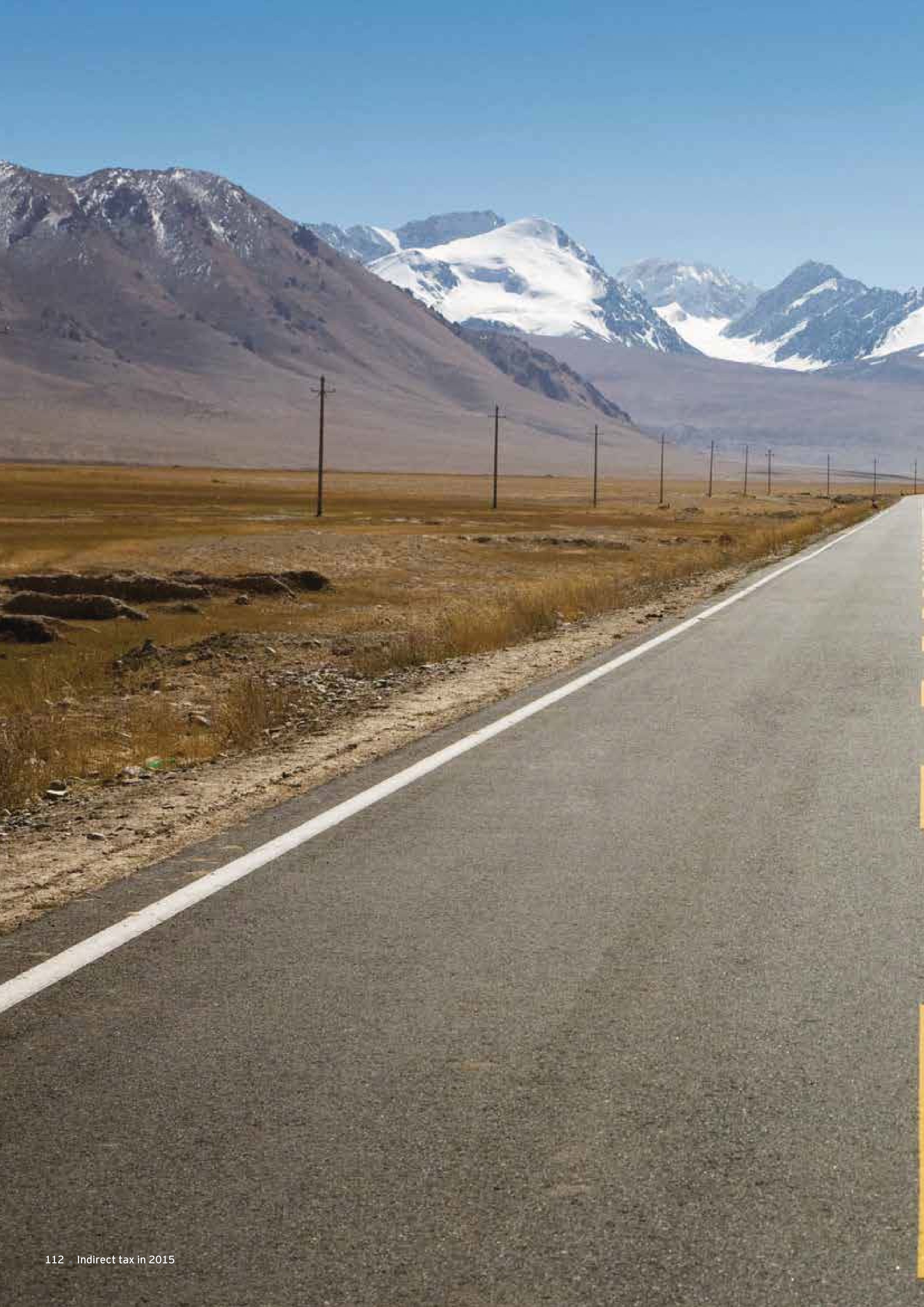
- Reduction in duty for materials for producing fiber boards and doors
- Increase in duty on cables that compete directly with copper and aluminum cables

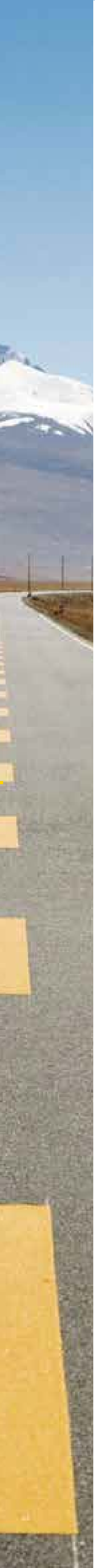
The following tax benefits have been extended until 31 December 2015:

- Suspension of duty on motor vehicles imported by safari operators
- Duty-free importation of full cream and skimmed milk powder by approved dairy processors
- Rebate of duty on imported inputs for use in the manufacture of clothing
- Rebate of duty on capital goods imported by tourism operators (hotels and lodges)

8. Argentina, Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, United States.


三井住友銀行





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Notes

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Thanks to our network of dedicated Indirect Tax professionals, who share knowledge and ideas, we can provide a seamless, consistent service throughout the world and deal effectively with cross-border issues. These include advising on the VAT treatment of new and complex transactions and supplies and helping resolve classification or other disputes and issues with the authorities.

We provide assistance in identifying risk areas and sustainable planning opportunities for indirect taxes throughout the tax lifecycle. We provide you with effective processes to help improve your day-to-day reporting for indirect tax, reducing attribution errors, reducing costs and ensuring indirect taxes are handled correctly.

We can support full or partial VAT compliance outsourcing, help identify the right partial exemption method and review accounting systems. Our Global Trade team help you manage customs declarations, audit and review product classifications and evaluate import/export documentation. Our globally integrated teams give you the perspective and support you need to manage indirect taxes effectively.

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