



Contributions for Edition 25 of the EMEA Tax Bulletin should be with Sunny Rowley at sunny.rowley@bkrema.com by 10 January 2020.

EMEA TAX BULLETIN

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Dear Friends and Colleagues,

Welcome to the October edition of the EMEA Tax Newsletter. The autumn season (our friends in the Southern hemisphere may kindly forgive me this admittedly biased view) traditionally comes with slightly cooler temperatures, a little bit more breeze in the air, this earthy smell and fresher air, the start of the amazing colour changes in the trees and the spectacular gathering of migrating birds. You may guess what is my favourite season...! For our BKR region, autumn also comes with various interesting events which offer the opportunity to get together, revive contacts, network and share experience, knowledge and hopefully joy and laughter.

The Worldwide Meeting in Los Angeles celebrates 30 years of BKR as a leading international accounting association, and – closer to our own region – the annual tax meeting is coming up again in Amsterdam on 25 November 2019. If you have not registered for the event yet, make sure you still do and bring your colleagues along, too! This year, the agenda includes panels on a wide range of topics from tax issues relevant to inbound investment to VAT Quick Fixes. Please have a look at the

EMEA website for further details of the agenda! There will also be plenty of time for round table discussions and country updates. Thanks already to everybody who has volunteered to contribute to the meeting, and I look forward to seeing many of you in Amsterdam!

This newsletter features a number of articles on tax matters from various countries. Hopefully, there will be something of interest for everybody. A big thank you to all who have contributed to this newsletter, as well as to Sunny, Tim and Julia for putting it together again. As we are constantly looking for articles for the newsletter, anybody who would like to contribute is more than welcome! Maybe you can encourage some of your colleagues as well!

Last but not least - if there is anything the tax committee can do for you, if there is anything we can assist with, please do feel free to contact us!

Have a colourful as well as wonderful autumn,

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Lebanon: Fiscal Awareness: Lebanese Laws And Regulations

If you are an entrepreneur, a business owner, a fresh graduate, a freelancer, or a property and startup owner, learning how to abide by the Lebanese laws and regulations while meeting your obligations and securing your rights is crucial. Amanda Couzi, Managing Director of Abou Nasr and Associates – BKR International, gives her top ten tips on how to be fiscally aware.

1. Prior to starting any business or making any transaction, you should know there's a liability tax in Lebanon, so you have obligations whether you generate revenues or not.
2. You should research your obligations on the Ministry of Finance's website.
3. Inquire the advice of auditors and tax advisors so you can be compliant with the Lebanese tax law and submit your declaration and pay your taxes on time.
4. Seek the advice of a lawyer in constituting the legal structure of your company.
5. Be organized in your filing while keeping all your documents and supporting documents related to your transactions. Make sure you keep all invoices and receipts in sequential order by date and number and that they include all details about the client/supplier and the company with their fiscal numbers.
6. Before making any unusual transaction, you should consult a tax advisor because of the detailed laws and regulations in Lebanon that might require additional obligations and formalities.
7. If anything in the constitution of the company changes over time such as company address, you should inform your lawyer and auditor to take the appropriate action.
8. It's better to register employees from the first day of work so you can be compliant and have a healthy relationship with the employee.
9. If you are an employee and your family situation changes, make sure to tell your employers so you can benefit from the additional tax exemptions and family allowances put in place.
10. Built Property taxes, if you own multiple properties that are vacant, you should submit a special application to the Ministry of Finance to avoid certain taxes.

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Republic of Ireland: Irish Budget 2020

Budget 2020 will no doubt be remembered as the Brexit Budget. While Brexit may have curtailed any possibility of the Government announcing a generous giveaway budget before a General Election next year, it can also be used as an excuse by the Government to justify the decisions taken in this Budget.

This Budget is an opportunity for the Government to show that it is prepared for Brexit with up to €500 million being diverted from the Rainy Day Fund to shore up the Brexit Contingency Fund.

The Budget also placed heavy emphasis on Climate Change and a range of measures was introduced to meet Ireland's commitment to an integrated Climate Action Plan.

TAXATION:

Taxation Benefits:

- Increase in the Earned Income Credit for the self-employed by €150 to bring the value of the credit to €1,500
- An increase in Home Carer Credit of €100 to bring the value up to €1,600
- An extension of the reduced rate of USC for medical card holders for a further year to December 2020
- Increase in the Group A Capital Acquisitions Tax threshold for gifts/inheritances from parents to children from €320,000 to €335,000
- Amendments to the R&D rules for qualifying pre-trading and outsourced expenses
- Increase in Research & Development tax credit from 25% to 30% for small & micro companies.
- Employment & Investment Incentive (EII) Scheme

Republic of Ireland: Irish Budget 2020 (contd.)

- rules relaxed to grant all of the relief in year 1
- Enhancements to the Key Employee Engagement Programme (KEEP)
- Extension of the Special Assignee Relief Programme (SARP) in its present format until 31 December 2022.
- Extension of the Foreign Earnings Deduction in its present format until 31 December 2022
- The production ceiling for Microbrewery Relief raised from 40,000hl to 50,000hl
- Diesel Rebate Scheme Relief for Hauliers due to increase in carbon tax
- Extension of Capital Gains Tax Relief for Farm Restructuring
- Introduction of a relief from betting duty and betting intermediary duty up to a limit of €50,000 per calendar year. This relief only applies to single undertakings.

Tax Raising Measures include:

- Increase in the Dividend Withholding Tax (DWT) rate from 20% to 25% from 01/01/2020
- From 01/01/2021 a modified DWT regime will be introduced
- No change in the rate of Corporation Tax
- Increase in the rate of Stamp Duty by 1.5% on non-residential property with effect from 09/10/2019
- Introduction of 1% Stamp Duty rate on certain company acquisitions schemes
- New measures will be announced to prevent aggressive tax avoidance by Irish Real Estate Funds.
- Introduction of anti-hybrid corporate tax rules and changes to transfer pricing rules with effect from 1 January 2020.
- The price of a packet of 20 cigarettes will increase by 50c from 9th October 2019
- There will be no across the board tax cuts for individual taxpayers.

Housing:

- Help to Buy (HTB) extension in its present format until 31 December 2021.
- Living City Initiative Extension in its present format until 31 December 2022
- €80m will go towards Housing Assistance Payment
- €1.1 billion will support the building of 11,000 social houses in 2020 with a further 12,000 to be built in 2021

- An extra €20m has been allocated for homeless services
- €13m to be provided for the Warmer Homes scheme

Health:

- Increase of 6.3% in spending to €17.4bn in 2020
- An extra €25m on the National Treatment Purchase Fund to help reduce waiting lists
- Prescription charges to be reduced by 50c
- The monthly threshold for the Drug Payment Scheme is being reduced by €10 to €114
- Free GP care for children under the age of 8
- Free dental care for the under 6s
- Threshold for medical card income for people over the age of 70 will increase by €50 to €550 for one person or by €150 to €1,050 for a couple.

The announcement of free dental care for the under 6s has been met with some skepticism from Dental Practitioners

Social Welfare:

- A 100% Christmas bonus this year
- €5 increase in Living Alone Allowance in 2020
- €15 increase for the One Parent Family Payment and Jobseeker Transition
- €10 for the Working Family Payment income threshold for families with up to three children
- Increases in the Qualified Child Payment by a further €3 for over 12s and €2 for under 12s
- €2 a week increase in fuel allowance

Education:

- Over €11 billion will be provided to the Department of Education & Skills in 2020, the highest ever to be received by that Department.
- This will include 150 new mainstream teaching posts in schools and investment of €1.9 billion in special education.
- 400 additional posts to support those with special educational needs
- 1,000 more Special Needs Assistants to be hired

Business and Agriculture:

Measures were announced to assist businesses to deal with the impact of Brexit, including:

- €1 billion will go to the Department of Business,

Republic of Ireland: Irish Budget 2020 (contd.)

including €10m for disruptive technologies fund and €600m for a Brexit loan and growth scheme

- Farm restructuring relief will be extended until 2022
- Investment of €2bn in rural Ireland
- Increases in allocation to the Department of Transport, Tourism & Sport

Environmental Measures:

- A carbon tax increase of €6 per tonne
- The increase will apply to petrol from 9th October 2019 but the increase for other fuels may be delayed until May 2020.
- The 1% diesel surcharge will be replaced by a nitrogen oxide emissions-based charge.
- It will apply to all new cars registered from January 1, 2020.
- Benefit in Kind to have environmental rationale for commercial vehicles from 2023
- Extend BIK zero rate on electric cars to 2022
- Extend VRT relief on hybrids to 2020
- Diesel rebate scheme for hauliers to compensate for fuel cost increases.

Brexit:

Brexit formed a large backdrop to Budget 2020 and measures announced to assist businesses to deal with Brexit include:

- A package of more than €1.2bn, excluding EU funding, for Ireland has been announced to respond to a no-deal Brexit.

- €200m of this expenditure for next year will be used to increase staffing across government departments and upgrade ports and airports.
- A fund of €650m will go to support the agriculture, enterprise, and tourism sectors in the case of no-deal. €220m will be deployed immediately.
- There will be a €110 fund for businesses, including: a €45m transition fund and €42m rescue and restructuring fund.
- €8m transformation fund for food and non-food businesses
- €5m for micro finance Ireland
- €5m for LEO Brexit Fund
- €2m for Intertrade Ireland
- €3m for regulatory bodies

There are also supports for beef farmers, fisheries, livestock farmers and for food and drinks processing.

As expected, it was a cautious budget designed to protect our economy in light of the prospect of a no-deal Brexit, while keeping in mind Ireland's obligation to implement environmentally friendly policies. The cost of implementing some of these policies will be borne by the majority of taxpayers.

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United Kingdom: Customs valuation and transfer pricing considerations between related entities in the UK and the EU

Many European parent companies with a UK subsidiary (and vice versa) or closely related entities in various jurisdictions have rightly considered the potential logistical and cost implications of the changing trading relationship between a parent and a subsidiary in the event of a 'hard Brexit' or 'no deal' and the UK becoming a 'third country' to the EU.

Whilst most companies have concentrated on the movement of stock transforming an intra-EU transfer

of goods to a formal import and export regime and the additional documentary and costs burden those changes will bring, few have delved deeper into how this change will impact customs valuation.

After Brexit the rate at which a parent sells, or transfers stock (the so-called transfer price) will be far more intensely scrutinised than ever before.

Additionally, recent HM Revenue & Customs (HMRC)

United Kingdom: Customs valuation and transfer pricing considerations between related entities in the UK and the EU (contd.)

International trade and Compliance visits have begun to focus more and more on the impact on the value for customs purposes of the trading relationship between related parties.

In essence, the related UK/EU company may become the 'importer of record' and must render customs entries for the importation of goods; as such the correct value for customs purposes placed on the imported goods needs to be included on the customs entry. This value is usually taken from the commercial invoice accompanying the importation. The relevant customs authority will always seek to ensure that the value upon which customs duty is calculated is a 'fair and arm's length transaction' for customs valuation purposes and that the relationship has not impacted upon the price in a manner consistent with the way the seller prices goods for sale to buyers who are unrelated.

Hence, the accurate calculation of customs duty and import VAT has been declared. If this transaction is indeed deemed as fair and at arm's length, then method one of the six customs valuation methods can be used. This method is usually entitled the 'transaction value' or 'price paid or payable'. Method one is the most common valuation method and currently covers over 90% of all commercial importations. It relates to the price paid for goods by a buyer in one country from an unrelated seller in another country and at a value specified on the commercial customs invoice. However, preferential pricings, discounts and a host advantageous other pricing policy and 'rights' may affect that 'transaction value' between related parties and sometimes rule out the use of Method one. These pricing policies, in the event of a hard Brexit or a 'no deal', may have to be carefully rethought.

After considering the company's relationship and any intercompany pricing policies, HMRC may not accept the customs value as declared on the import entry and possibly impose unfavourable and costlier alternative 'methods of customs valuation'. These could include using values based upon 'identical or similar goods sold to an unrelated buyer' (Method two or three), the 'selling price' (Method four), the 'production costs of the goods (Method five)', to accurately value the goods and possibly forcing up the costs to the UK firm and parent.

Hence, in the event of a 'hard Brexit' or 'no deal' not only may customs duty and import VAT costs become applicable but also the value at which those costs are calculated. HMRC or any respective competent tax authority may also make an adjustment to corporation tax payable if it is deemed that the transfer price is inaccurate.

As a result, related entities should look closely at their current policies.

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Italy: Disclosure obligation for entities facilitating distance selling

Article 13 of Legislative Decree no. 34/2019 (the so-called “Growth Decree”) introduced a specific duty to provide information for any taxable persons who facilitate, through the use of an electronic interface, distance selling of imported goods or distance selling of goods within the European Union, leaving its implementation to the Revenue Agency.

On 31 July 2019 the Revenue Agency Director General’s Provision no. 660061 defined the terms and methods for fulfilling the information provisions, as well as clarifications for identifying the taxable persons required to transmit the data.

Some of the definitions provided are given below:

- “Electronic interface” refers to virtual markets (marketplaces), digital platforms, portals or similar devices;
- “Facilitate” indicates the use of an electronic interface which enables a supplier (selling goods via the electronic interface) and a buyer to establish a contact leading to a supply of goods through such electronic interface;
- “distance selling of goods” means both the supply of goods dispatched or transported within the European Union (intra-Community distance selling of goods) and the supply of goods dispatched or transported from non-EU countries (distance selling of goods imported from third countries).

The information to be communicated and transmitted through the Revenue Agency’s online services is as follows:

- name or full personal details of the supplier who has sold the goods remotely via the electronic interface;
- total number of items sold in Italy;
- at the discretion of the taxable person, for all the items sold in Italy, the average sale price, expressed in euro.

The obligation also involves non-residents who, even though they do not have a permanent establishment in Italy, are obliged to identify themselves directly or to use a resident representative.

The duty must be fulfilled quarterly at the end of the month following each quarter.

The first Communication must be made by 31 October 2019, as for the data relating to the second and third quarters of 2019.

On 20 September 2019, the Revenue Agency informed that the electronic service has been activated.

In the event of failure to transmit or incomplete data, taxable persons are considered liable to pay tax for the distance selling in respect of which the data have not been transmitted, or have been partially transmitted. The sanction is not applicable if the taxable person proves, in case of failure to transmit, that the tax amount has been paid by the supplier, or, in case of incomplete transmission of data, that he has taken all the necessary measures for the proper collection of data on the digital platform.

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Hungary: New challenges in accounting

DBH Finance is constantly striving for professional development and financial-accounting tasks requiring special expertise skills. One such topic - which is very exciting and has many opportunities for the business sector – is the so-called trust management. This task can be accomplished by only a few experts in the country; it requires special experience, knowledge and continuous development. DBH – in line with the requirements of its clients – provides such services.

Trust Management in Hungary has been applicable since 2014. It can be an exceptional opportunity for individuals who not only want their full assets to be safe, but also wish to assign certain assets to the spouses or beneficiaries in a predictable, tax-free manner.

Real estate, movable property, securities, property rights, overdue and outstanding claims can be taken into trust management. It is not necessary to transfer the affected assets at once, can be even on a staggered basis, but it is important to be able to determine exactly what is to be trusted.

For what kind of problems our activity can give an answer:

- Where to keep the managed assets?
- How treated assets are taxed, how they can be utilized?
- What public registers should be included?

What should be known briefly about taxation?

What is important for tax purposes in trust management:

1. Managed assets are independent taxpayers, have their own tax number, and are a separate taxpayer
2. Not part of the inheritance/bequest/legacy
3. Not part of the marital property community
4. There are no official bodies that have the authority to control the assets under management.

What accounting rules apply to assets under management?

Assets under management fall within the scope of the Accounting Act as they are identified by the Act as an “enterprise” - accounting requirements must be met accordingly.

As a result, the value of the managed assets is determined by the parties at the time of the conclusion of the trust agreement or unilaterally by the behaviour of the settlor - this will be the initial capital of the managed asset. Unlike other businesses, however, annual or simplified annual statement need not to be published for the assets under management, as the Accounting Act thereby secures a relationship of trust between the settlor and the trustee and protects the beneficiary and trustee’s right to private secrecy.

In addition, unless specifically required by the provision, the annual or simplified annual report of the trustee is, in principle, also exempt from financial audit.

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India: Indian Taxation Laws Amendment

With a view to improve business sentiments and boost the economy, the Finance Minister has announced certain tax measures recently, including, among others, a reduction in corporate tax rates. The key features of these measures include reduction in corporate tax rate to 22% (from 25% / 30%) for existing companies and

an even lower tax rate of 15% for new manufacturing companies in India.

For the ease of BKR members, K C Mehta have prepared an Update Memo which is available [Here](#)

BKR EMEA Tax Meeting 2019

The BKR EMEA Tax Meeting will be held in the Hilton Amsterdam Airport Schiphol on Monday 25th November 2019. More details are available on the EMEA Website at [Latest Events](#).

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