

International Tax - Europe & Africa Newsletter

This e-newsletter gives you an overview of international tax developments being reported globally by KPMG member firms in the Europe and Africa regions between **1 June and 30 June 2014**.

Albania	Germany	Netherlands	Switzerland
Andorra	Greece	Nigeria	Tanzania
Bulgaria	Hungary	Poland	Turkey
Cyprus	Ireland	Russia	Uganda
Czech Republic	Kenya	Rwanda	Ukraine
European Union	Luxembourg	Slovakia	United Kingdom
Finland	Macedonia	South Africa	
France	Morocco	Sweden	

To contact the International Tax Group in Russia and the CIS go to the [Contacts section](#).

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	Tax area concerned	Relevant date/case reference	Description of measures and publication link (<i>Considerations in italic where necessary</i>)
Albania			
Tax legislation adopted and regulatory update	Transfer pricing	24 April 2014	New provisions in Albania's tax law introduce transfer pricing concepts and define related parties, controlled/uncontrolled transactions, and advance pricing agreements. Read more
KPMG publications	Various tax areas	2014	A report providing information to those considering investing or doing business in Albania includes an overview of the Albanian tax system. Read more

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Andorra			
Tax legislation adopted and regulatory update	Exchange of information	June 2014	Andorra agreed to an OECD declaration that commits countries to end rules allowing bank secrecy for tax purposes. Read more

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Bulgaria			
KPMG publications	Various tax areas	2014	KPMG in Bulgaria has prepared a "tax card" that provides the 2014 tax rates for corporate income tax, withholding tax, and VAT among other items. Read more
			KPMG in Bulgaria has prepared a report that examines various laws and rules for those considering making investments in Bulgaria. Read more

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Cyprus			
Treaties	DTT	1 January 2015/ 1 January 2014	The network of income tax treaties in Cyprus includes two new agreements. The income tax treaty between Cyprus and Spain has an entry into force date of 1 January 2015. The income tax treaty between Cyprus and the UAE was effective 1 January 2014. Read more
KPMG publications	Holding companies	2014	The Cyprus holding company regime is intended to provide tax advantages for those incorporating a Cyprus holding company. Read more

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Czech Republic			
Proposed legislation	Income tax	June 2014	The Ministry of Finance released for comments a draft amendment to the income tax law of the Czech Republic. Read more

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European Union

Tax legislation adopted and regulatory update	Tax-to-GDP ratio	2012	The European Commission released a report about tax trends in the European Union, revealing that in 2012, the overall tax-to-GDP ratio in the 28 EU Member States was 39.4 percent of GDP in 2012—up from 38.8 percent of GDP in 2011. Read more
	Excise tax	March-December 2013	The European Commission issued a report reflecting efforts over a 10-month period (March-December 2013) to counter smuggling and fraud with respect to goods subject to excise tax in the European Union. Read more
	VAT	16 June 2014	The European Commission announced that a VAT Expert Group has adopted an opinion on a “definitive VAT regime” for the VAT treatment of business-to-business supplies of goods. Read more
	State aid	11 June 2014	The European Commission announced that it has opened three investigations to examine whether tax rulings (“comfort letters”) issued by the tax authorities in Ireland, the Netherlands, and Luxembourg—with regard to the corporate income tax to be paid by certain multinational corporations—comply with the EU rules on state aid. Read more
	VAT	1 January 2015	The European Commission issued a reminder that the VAT rules for telecommunications, broadcasting, and electronic services in the EU will change effective 1 January 2015. Read more
	Transfer pricing	4 June 2014	The European Commission adopted a “communication” that includes guidelines on three aspects of the treatment of transfer pricing transactions. Read more
	Customs	2 June 2014	The European Commission announced the release of forms relating to customs enforcement of intellectual property rights. Read more
Proposed legislation	Parent-Subsidiary Directive	20 June 2014	The EU's Council of Economic and Finance (ECOFIN) Ministers reached an agreement on a revised version of the European Commission's proposed amendments to the EU Parent-Subsidiary Directive. The revised text contains measures to combat the use of hybrid loans. Read more

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Finland			
Tax legislation adopted and regulatory update	Reporting requirements for construction services	1 July 2014	New reporting requirements apply beginning 1 July 2014 for any business purchasing or supplying construction services in Finland. Read more

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France			
Tax legislation adopted and regulatory update	Transfer pricing	June 2014	There are new transfer pricing reporting requirements for certain entities in France, and a public consultation concerning the information return required to be filed, in order to report transfer pricing information, has just been announced by the French tax authorities. Read more

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Germany			
Administrative and case law	VAT	June 2014	A decision concerning indirect tax or VAT from Germany's federal tax court concerns the withdrawal if a car from Germany and subsequent transport to a non-member country. Read more
	Income tax	June 2014	Germany's federal tax court issued decisions in cases concerning: <ul style="list-style-type: none">• The tax authority's treatment of a loss carry forward in the merger of a profit corporation into a loss corporation• Requalification of interest in light of an income tax treaty's "equal treatment article" Read more

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Greece			
Tax legislation adopted and regulatory update	Transfer pricing	1 January 2014	Guidance issued in Greece concerns the content of taxpayers' transfer pricing documentation files and summary information sheets for tax years beginning 1 January 2014 and later. Read more

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Hungary			
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KPMG publications	Tax accounting	2014	A report from KPMG in Hungary examines depreciation, assets used in production, and additional capital contribution from an accounting perspective. Read more
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Ireland			
Proposed legislation	Transfer pricing	June 2014	KPMG in Ireland has prepared a summary of some of the most frequently asked questions that relate to the general principles of transfer pricing and the new transfer pricing rules (in the Finance Act 2010) in Ireland. Read more
	BEPS	May 2014	Ireland's Department of Finance in late May 2014 launched a public consultation on BEPS in an Irish context and what this could possibly mean for the future of Ireland's tax regime. Read more

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Kenya			
Proposed legislation	Budget	2014-2015	Kenya's budget for 2014-2015, presented 12 June 2014, includes several tax proposals. Read more

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Luxembourg			
Tax legislation adopted and regulatory update	Functional currency regime	16 June 2014	Luxembourg's tax authorities issued guidance establishing a framework for rules with respect to the functional currency regime that is available under Luxembourg tax law. Read more

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Macedonia			
KPMG publications	Various tax areas	2014	A report providing information to those considering investing or doing business in Macedonia includes an overview of the Macedonian tax system. Read more

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Morocco			
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Proposed legislation	Solar power facilities	2019	The Moroccan government has committed to a national “green” agenda, which includes reducing its reliance on expensive fossil fuel imports (the country lacks fossil fuel reserves of its own) and increasing its production and use of renewable energy sources—including solar power and concentrated solar power in particular. Read more
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Netherlands			
Tax legislation adopted and regulatory update	Exchange of information	1 January 2014	Recent guidance provides that the Dutch tax and customs administration will exchange, with the tax authorities of other countries, information about Dutch resident companies whose main activities involve the intra-group receipt and payment of foreign interest, royalties, and rental or lease payments. Read more
	Pension law	2015	The Upper House of the Dutch Parliament in late May 2014 passed a bill that would amend the pension law in the Netherlands. Read more
	Dividend taxation	June 2014	The European Commission has requested that the Netherlands to end what is perceived to be the discriminatory taxation of dividends received with respect to shares held by insurance companies established in other EU Member States or in a European Economic Area country (Norway, Lichtenstein, and Iceland). Read more
Administrative and case law	VAT	12 June 2014	The Court of Justice of the European Union (CJEU) on 12 June 2014 issued a judgment concluding that discount cards sold to consumers, in order to provide for price reductions, did not fall within the scope of “securities” or “other negotiable instruments” for the purposes of the exemption from VAT. Read more
	Tax consolidation	<i>SCA Group Holding</i> , C-39/13, C-40/13, and C-41/13	The CJEU issued a judgment in a case on referral from the Netherlands, and concluded that Dutch law is not compliant with EU law—i.e., the freedom of establishment—in denying tax consolidation (fiscal unity). Read more
	Withholding tax	5 June 2014	The CJEU rendered its judgment in cases concerning withholding tax imposed on profit

			distributions made by Dutch companies to their parent companies resident on Curaçao. Read more
Treaties	Bilateral tax agreement	10 June 2014	New bilateral rules for the avoidance of double taxation between the Netherlands—including Dutch jurisdictions located in the Caribbean—and Curaçao were announced and presented on 10 June 2014 to the Dutch parliament for approval. Read more

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Nigeria			
Administrative and case law	Advance rulings	June 2014	Nigeria's Federal High Court held that an advance ruling from the tax authority is not binding, so that the tax authority could subsequently reverse its position and determine that income derived by non-resident companies is subject to both corporate income tax and withholding tax in Nigeria. Read more

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Poland			
Proposed legislation	CFCs	May 2014	Legislation that would amend both the corporate income tax and individual income tax laws in Poland and that proposes rules on the taxation of controlled foreign corporations had its first reading in the Sejm in May 2014. Read more

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Russia			
Proposed legislation	Controlled foreign company rules for companies and individuals, tax residency criteria for legal entities, beneficial ownership concept	One month after official publication, but not earlier than 1st January 2015	The RF Ministry of Finance has prepared a new version of the de-offshorization draft law to be submitted to the RF Government (the draft law). The draft law introduces into the RF Tax Code rules on the taxation of controlled foreign companies (CFC), tax residency criteria for companies, the taxation of income from the indirect transfer of ownership of Russian companies that own real estate (through the sale of shares in companies, more than 50 percent of whose assets directly or indirectly consist of real estate located in Russia), and also the concept of "beneficial owner" of income, which was not

included in the previous version of the draft law.
[Read more](#)

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Rwanda			
Proposed legislation	Custom duties	2014	<p>Tax provisions included in Rwanda's 2014 budget, presented 12 June 2014, include the following proposals:</p> <ul style="list-style-type: none">• An increase in the excise duty rate on telephone airtime, increased from 8 percent to 10 percent• Reduced customs duty rates on wheat, sugar, rice, cement, motor vehicles and other products Read more

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Slovakia			
Tax legislation adopted and regulatory update	Tax audits	June 2014	<p>Tax professionals in Slovakia report there has been a tendency of the tax authorities to impose "preliminary measures" during routine tax audits.</p> Read more
Proposed legislation	Thin capitalization rules	June 2014	<p>The Slovak Ministry of Finance is currently weighing the possibility of re-introducing thin capitalization rules into Slovak tax law.</p> Read more

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South Africa			
Treaties	IGA (FATCA)	9 June 2014	<p>Representatives of the governments of South Africa and the United States signed on 9 June 2014 an intergovernmental agreement intended to improve international tax compliance and to implement the FATCA.</p> Read more

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Sweden			
Proposed legislation	Taxation of corporate financing activities	1 January 2016	<p>Proposals for changes to the tax treatment of corporate financing activities have been considered by the Corporate Taxation Committee and were summarized in a 12 June 2014 final report that is now being circulated to</p>

agencies, organizations, and other stakeholders.
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Switzerland			
Tax legislation adopted and regulatory update	FATCA	1 July 2014	In the last couple of months, most institutions affected by FATCA— financial institutions as well as non-financial companies—were still scrambling to become FATCA-compliant and considering steps for compliance with FATCA once it becomes effective on 1 July 2014. Read more
Treaties	Free trade agreement	1 July 2014	A free trade agreement between Switzerland and China will enter into force on 1 July 2014. Read more

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Tanzania			
Proposed legislation	Budget	2014	Tax proposals included in Tanzania's 2014 budget, presented 12 June 2014, would replace the current VAT law with a new VAT regime. Read more

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Turkey			
Tax legislation adopted and regulatory update	VAT	1 May 2014	All VAT general communiqués previously issued by the tax administration in Turkey have been repealed and replaced by a single communiqué. Read more

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Uganda			
Proposed legislation	Budget	2014	The 2014 budget—presented in Uganda on 12 June 2014—reflects that the overall performance of the Uganda economy as measured by the real GDP at market prices is estimated to have grown by 5.7 percent for the financial year 2013/14 which is a 0.1 percent decrease compared to the revised growth of 5.8 percent that was recorded in the prior year. Read more

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Ukraine			
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Tax legislation adopted and regulatory update	FATCA	5 June 2014	There were 146 financial institutions in Ukraine that self-registered on the IRS FATCA website, prior to 5 June 2014, as participating financial institutions, not covered by the intergovernmental agreement. Read more
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United Kingdom			
Tax legislation adopted and regulatory update	FATCA	30 June 2014	The UK government published a regulatory update for implementing the FATCA intergovernmental agreement between the UK and the United States. These regulations are effective 30 June 2014 and replace the original 2013 regulations. Read more
Proposed legislation	Finance Bill	1-2 July 2014	The UK Finance Bill is scheduled to have its "report" stage in the House of Commons on 1 and 2 July. The government has published amendments on several Finance Bill clauses ahead of the bill's report stage. Read more
	Corporate transparency	16 April 2014	The department of Business Innovation & Skills on 16 April 2014 published a response paper on corporate transparency, which discusses proposals that would potentially affect limited liability partnerships. Read more
	Taxation of authorized contractual schemes	June 2014	HM Revenue & Customs published draft guidance on the tax treatment of investments in tax-transparent "authorised contractual schemes". Read more

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For a full summary of global tax developments, visit kpmg.com/TaxNewsFlash.

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