



# International Tax Europe and Africa March 2017

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 March and 31 March 2017**.

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To contact the International Tax Team email [internationaltax@kpmg.com](mailto:internationaltax@kpmg.com).

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	Tax area concerned	Relevant date/Case reference	Description of measures and publication link ( <i>Considerations in italic where necessary</i> )
<b>Belgium</b>			
Administrative and case law	Stock exchange tax	2 Mar 2017	The due date for paying the stock exchange tax owed by foreign intermediaries, for transactions in 2017, has been extended to 30 June 2017. <a href="#">Read more</a>
Administrative and case law	Withholding Tax	9 Mar 2017	The CJEU issued a judgment in a case concerning application of the EU Parent-Subsidiary Directive, and specifically a withholding tax imposed by Belgium on dividends paid by a Belgian subsidiary to its parent companies located in the Netherlands that were investment funds (Dutch UCITS). <a href="#">Read more</a>

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Channel Islands			
Proposed legislation	Financial services	8 Mar 2017	A number of areas of interest to the financial services sector in the Channel Islands include items from the UK budget including profits in trading in and developing land in the UK, WHT on interest, non-resident capital gains and many more. <a href="#">Read more</a>

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Cyprus			
Tax legislation approved and regulatory update	Interest rates	2 Mar 2017	The tax authorities of Cyprus announced that the interest yields of 10 year government bonds increased by 3 percent as of 31 December 2016, and that this represents the 'reference rate' for purposes of granting tax allowances on new capital. <a href="#">Read more</a>
Treaties	Iran, Jersey	29 Mar 2017	Two new tax treaties — with Iran and Jersey — will enter into force on 1 January 2018. Each is expected to help strengthen the Cypriot income tax treaty network. <a href="#">Read more</a>
	FATCA	2 Mar 2017	Transfer pricing studies will be required as of 1 July 2017, and will replace the current treatment with respect to back-to-back finance transactions. <a href="#">Read more</a>

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Czech Republic			
Proposed legislation	Exchange of information	29 Mar 2017	The Ministry of Finance submitted an amendment to the tax procedure rules that would provide access to information about taxable entities and their bank accounts to taxation and other government authorities, responding to a decision of the Supreme Administrative Court on the scope of banks' reporting duties. <a href="#">Read more</a>

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Denmark			
Proposed legislation	Hydrocarbon incentives	27 Mar 2017	The Ministry of Finance in Denmark on 27 March 2017 announced a political agreement has been reached concerning the framework agreement regarding investment incentives for the North Sea hydrocarbon activities. The draft law proposal has not been published. A tax incentive 'window' from 2017 to 2025 would apply to motivate investments in

			hydrocarbon infrastructure assets in the North Sea. <a href="#">Read more</a>
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### Egypt

Tax legislation approved and regulatory update	VAT	1 Mar 2017	KPMG in Egypt provides an overview of significant changes to Egypt's tax laws, including: introduction of a new VAT law, which replaces the current sales tax law and new rules for the settlement of tax disputes. <a href="#">Read more</a>
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### EU

Administrative and case law	VAT	3 Mar 2017	The Advocate General to the CJEU issued opinions in two cases concerning the value added tax (VAT) exemption for cost-sharing groups. The opinions conclude that the VAT exemption for cost-sharing groups cannot be applied in the financial and insurance markets, nor in cross border situations. The Advocate General also advised the CJEU to interpret narrowly a rule that application of the VAT exemption for cost-sharing groups is not likely to cause distortion of competition. <a href="#">Read more</a>
Treaties	Canada/EU	7 Mar 2017	The European Parliament has approved a free trade agreement (signed in October 2016) between the European Union and Canada. With this vote, the free trade agreement can enter into force once Canada completes its ratification procedures, which may be as early as 1 May 2017. <a href="#">Read more</a>

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### France

Administrative and case law	Anti-abuse rules	9 Mar 2017	The Court of Justice of the European Union (CJEU) this week issued a judgment in a case concerning a determination by the French tax authority not to defer the taxation of capital gains realized with respect to a French company's assets at the time of its merger with a company established in another EU Member State. The CJEU found that the provisions of the EU Merger Directive are not intended to achieve exhaustive harmonization to counter tax evasion and avoidance at the EU level. The CJEU reiterated its established position that, in line with the preamble of the Directive, a cross-border merger is not to be hampered by restrictions, disadvantages or distortions
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			<p>arising from domestic law provisions.</p> <p><a href="#">Read more</a></p>
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Ghana			
Proposed legislation	Various	15 Mar 2017	<p>Ghana's budget for 2017 includes a proposal to strengthen the transfer pricing unit of the Ghana Revenue Authority for purposes of 'rigorous audits' of entities in the extractive sector. Multinational companies, thus, will need to have their transfer pricing documentation in place, in order to support the pricing of their related-party transactions.</p> <p><a href="#">Read more</a></p>

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Ireland			
KPMG publication	R&D revenue audits	9 Mar 2017	<p>Revenue audits of claims are necessary and to be expected. The KPMG member firm in Ireland has prepared an article that outlines the steps a company can take to mitigate uncertainty and risks by ensuring it is well prepared at the earliest opportunity.</p> <p><a href="#">Read more</a></p>

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Italy			
Tax legislation approved and regulatory update	Permanent establishment	9 Mar 2017	<p>A provision of Italian income tax law enacted in late 2016 concerns the reporting of foreign currency-based accounts of foreign permanent establishments, and sets forth new criteria for the conversion of the account's currency into euro. The measures (effective for fiscal year 2017) provide that such accounts will no longer be reported at the exchange rate (into euro) as of the end of the reporting period, but will be reported at the exchange rate pursuant to the accounting principles (domestic GAAP or IAS/IFRS) adopted by the Italian headquarter.</p> <p><a href="#">Read more</a></p>
Administrative and case law	Consolidated groups	17 Mar 2017	<p>The Italian tax authorities, in response to a question submitted by a French banking group, clarified that the transfer of shares in Italian subsidiaries from an Italian permanent establishment (PE) to its headquarters (in France) does not terminate the tax group arrangement involving the headquarters and the subsidiaries.</p> <p><a href="#">Read more</a></p>

Administrative and case law	Beneficial owner	25 Mar 2017	A decision of the Italian Supreme Court sets out guidance on the criteria to be considered when deciding whether a non-resident holding company qualifies as the 'beneficial owner' of dividends distributed by an Italian subsidiary. <a href="#">Read more</a>
Administrative and case law	Royalties, WHT	26 Mar 2017	A court in Milan held that payments made by an Italian distributor to foreign suppliers for the right to distribute copies of software, but without any rights to exploit and reproduce the program, are not royalties but represent business income. Accordingly, such payments are subject to withholding tax (at a rate of 30 percent). <a href="#">Read more</a>
KPMG publication	Various	17 Mar 2017	The KPMG member firm in Italy has prepared a report that gives essential information to potential foreign investors about the country and, among other things, Italy's economy, taxation system, and corporate law. <a href="#">Read more</a>

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#### Netherlands

Administrative and case law	Withholding Tax	3 Mar 2017	Dutch Supreme Court in July 2015 denied a request for a refund of Dutch dividend withholding tax filed by a Luxembourg investment fund. However, the Supreme Court recently referred questions to the CJEU for a preliminary ruling concerning the refund claims of a foreign — EU resident — investment fund that received Dutch portfolio dividends on which Dutch dividend withholding tax was levied. <a href="#">Read more</a>
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#### Norway

Tax legislation approved and regulatory update	Withholding Tax	13 Mar 2017	The statute of limitations for filing timely claims for refunds of withholding tax in Norway has been extended to 5 years, effective as of 1 January 2017. <a href="#">Read more</a>
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#### South Africa

Administrative and case law	Voluntary Disclosure Programme	22 Mar 2017	South Africa's Special Voluntary Disclosure Programme (SVDP), now well underway, gives another opportunity for non-compliant South African Exchange Control (Excon) residents with undisclosed
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			assets abroad to regularize those offshore assets. <a href="#">Read more</a>
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Sweden			
Administrative and case law	Withholding Tax	6 Mar 2017	The Swedish Supreme Administrative Court rejected claims of foreign pension funds for refunds of Swedish withholding tax. The pension funds had based their claims of discrimination under EU law, but the court rejected these claims on grounds of non-comparability. Still, the court held there is a possibility to deduct certain expenses related to the receipt of dividend income. <a href="#">Read more</a>

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United Kingdom			
Tax legislation approved and regulatory update	Various	20 Mar 2017	The Government published Finance (No. 2) Bill 2016-17 on Monday 20 March. Two amendments have been made to the hybrid mismatch rules to improve the way these rules will work. The conditions of the substantial shareholding exemption have been relaxed significantly, in particular for companies owned by qualifying institutional investors. <a href="#">Read more</a>
Tax legislation adopted and regulatory update	Inheritance tax	22 Mar 2017	UK residential property owned through certain non-UK structures and lenders providing debt finance will be subject to inheritance tax. <a href="#">Read more</a>
Tax legislation approved and regulatory update	Corporate interest restriction regime	22 Mar 2017	From 1 April 2017 a new regime will restrict the tax deductibility of interest-like expenses for UK companies. The changes are relevant to all UK companies that have interest or interest-like expenses on which they claim relief for UK tax purposes. The CIR regime represents a major reform of the tax treatment of financing transactions. Those adversely impacted will not just be multi-national groups but can include groups which only operate in the UK. Inevitably, even for those groups which do not suffer a disallowance, there will be a significant additional compliance burden. <a href="#">Read more</a>
Tax legislation approved and regulatory update	Patent box	22 Mar 2017	New patent box rules in the UK have been passed which have implications for companies involved in collaborative research and development. This measure is of interest to those companies seeking to elect into the patent box regime under the new rules where they have a cost sharing arrangement in place

			for R&D purposes. <a href="#">Read more</a>
Tax legislation approved and regulatory update	Hybrid rules	22 Mar 2017	Two amendments have been made to the hybrid mismatch rules to improve the way these rules will work. Multinational groups with a UK parent or UK subsidiaries which have arrangements involving a mismatch in tax treatment, whether between the UK and another jurisdiction or between two non-UK jurisdictions as part of an arrangement involving the UK. <a href="#">Read more</a>
Proposed legislation	Hybrid rules	10 Mar 2017	This article looks at some key terms in the new draft amendment to the EU Directive in contrast with the UK's Hybrid Mismatches legislation. The Directive makes some allowance for hybrid regulatory capital, investment funds and an exclusion for financial traders. The amendment also allows for a hybrid payee to be treated as opaque by the state of establishment. <a href="#">Read more</a>
Administrative and case law	Cross-border dividends	10 Mar 2017	The Supreme Court has granted HMRC permission to appeal the Court of Appeal's judgment in <i>The Prudential Assurance Company Ltd v HM Revenue and Customs</i> [2016] EWCA Civ 376. <i>Prudential</i> is the test case in the <i>CFC &amp; Dividend GLO</i> . This case concerns the UK's historical tax treatment of dividends received from overseas portfolio holdings (i.e. less than 10 percent shareholding). This case continues to run in parallel to the <i>FII GLO</i> which concerns the tax treatment of EU sourced dividends received from group subsidiaries. <a href="#">Read more</a>
KPMG Publication	Hybrid rules	3 Mar 2017	This article, the fourth in a series on the new hybrid rules, notes some of the ways in which the new hybrid rules may cause unexpected disallowances for UK CTB entities. <a href="#">Read more</a>
KPMG Publication	Spring Budget	8 Mar 2017	The United Kingdom member firm offers a review of items that are likely to appear in the Spring budget. The predictions cover corporate and international tax, innovation, employment tax, property tax, pensions and personal tax, the complete collection of articles can be found on the UK page dedicated to the Spring Budget. <a href="#">Read more</a>
KPMG Publication	Hybrid rules	10 Mar 2017	This article, the fifth in a series on the new hybrid rules, looks at the impact of the hybrid rules on trading companies which are tax resident in two jurisdictions. <a href="#">Read more</a>

KPMG Publication	Brexit	29 Mar 2017	Brexit is triggered: expert reaction to Article 50. We have lift-off: KPMG Brexit experts respond as the UK triggers the process of leaving the EU. <a href="#">Read more</a>
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Designed by Evalueserve.  
Publication Number: 134463C-G