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EXPATRIATE NEWSLETTER

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SWITZERLAND

CURRENT IMMIGRATION DEVELOPMENTS REGARDING FOREIGN WORK FORCE

In February 2014 the electorate voted in favour of the mass immigration initiative. The Swiss Federal Council was then given three years to implement the voters' decision. The initiative calls for the Swiss Federal Council to limit immigration to Switzerland by maximum numbers and contingents. The implementation of the mass immigration initiative compels the Swiss government to adjust the bilateral contracts with the EU which regulate the free movement of persons.

Quota issues - the essentials in brief

- Every assignment for EU/EFTA service providers ("assignees") and Non-EU/EFTA citizens to Switzerland of more than 4 months/120 days is subject to quotas.
- In 2015 the Swiss Federal Council decided to reduce the quotas, to set further incentive for the economy to enhance the use and develop the domestic labour workforce.
- Quota reduction:
  - Non-EU/EFTA citizens:
    - Short-term residence permits L, used for assignments for up to 2 years: 20% decrease (limiting it to 4000 L-permits/year)
    - Residence permits B, used for assignments of more than 2 years: 30% decrease (to 2500 B-permits/year)
  - EU/EFTA service providers:
    - Short-term residence permits L: 30% decrease (to 2000 L-permits/year)
    - Residence permits B: 50% decrease (to 250 B-permits/year)
- The quotas apply to new applications as well as extension of existing Swiss permits.
- The local authorities have adopted a stricter approach in granting work and residence permits since the vote in February 2014.
- The quotas for non-EU/EFTA citizens are nearly exhausted throughout Switzerland for 2016, especially for B-permits. The quotas for EU/EFTA citizens are renewed on a quarterly basis.

Status quo and forecast

- Current status in terms of the progress of the implementation of the initiative:
  - In September 2016 the National Council accepted the proposal of the Political Institutions Committee, establishing a smooth realisation of the mass immigration initiative, in order to secure the bilateral agreement between Switzerland and the EU. The committee's proposal excludes a restriction by maximum numbers and quotas.
  - The smooth realisation proposes that as soon as the quotas defined by the Federal Council are exceeded, a compulsory reporting obligation for employers is required before a job vacancy can be filled. Meaning first the regional employment agencies (RAV) must be informed about the positions to be staffed. The Federal Council still holds the option to adopt further "appropriate measures", according to prior agreement with the EU.
  - Forecast for December 2016: In the winter session the Council of States shall decide about possible reinforcement of the measures already in place.
- The labour market inspectors have tightened their control activities since the initiative. In 2015 the committees have reviewed compliance with the Swiss minimum wage and working conditions in over 45,000 companies and of 175,000 individuals.

BDO comment

This topic has become very complex, however there are practical solutions to this issue and employers need to work within the new framework set out by The Swiss Federal Council.

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EDITOR'S LETTER

The BDO Expatriate Newsletter provides a brief overview of issues affecting international assignees, predominantly, but not exclusively, from a tax and social security perspective.

This newsletter brings together individual country updates over recent months. As you will appreciate, the wealth of changes across multiple jurisdictions is significant so to provide easily digestible information we have kept it to the key developments that are likely to affect your business and international assignees.

For more detailed information on any of the issues or how BDO can help, please contact me or the country contributors direct.

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AUSTRALIA

CHANGES TO INDIVIDUAL TAX TABLES

Personal income tax relief

In an effort to provide personal income tax relief to the average income earner, the Government has announced a change in individual tax brackets. The change aims to address 'bracket creep.' As wages increase, more employees start paying tax in the higher tax brackets and extra payments such as overtime and bonuses therefore also get taxed at the higher rate, reducing their take-home pay. To help encourage workforce participation and to strengthen the post-mining economy, instead of simply increasing the tax-free threshold, the third tax bracket was targeted to specifically help the middle income employees who found themselves being pushed into the higher tax bracket (albeit marginally). By stretching the upper limit of the bracket, more individuals can stay within the lower bracket for a longer period of time.

From 1 July 2016, for both resident and non-resident individuals, the marginal tax rate of 37% will apply at AUD 87,000 instead of AUD 80,000 previously. For individuals earning over AUD 80,000, their savings will range from AUD 45 to AUD 315 per year.

Pay-as-you-go withholding

From 1 October 2016, for those individuals earning over AUD 80,000, employers will reduce the amount of tax being withheld from their salary. There is no need for employers to amend prior months' pay slips as any extra tax that was withheld between July and September will be credited upon lodgment of the individual's 2016/17 individual income tax return.

BDO comment

As an employer, ensure your payroll software has been updated for the new tax tables that will apply from 1 October 2016.

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Updated tax tables as at 1 July 2016

Australian Resident Individuals				
Taxable Income bracket (AUD)	**Tax (AUD)**			
0 – 18,200	0			
18,201 – 37,000		0.19	for each 1 over	18,200
37,001 – 87,000	3,572	plus 0.325	for each 1 over	37,000
87,001 – 180,000	19,822	plus 0.37	for each 1 over	87,000
180,001 & over	54,232	plus 0.45	for each 1 over	180,000

Australian Non-Resident Individuals				
Taxable Income bracket (AUD)	**Tax (AUD)**			
0 – 87,000		0.325	for each 1	
87,001 – 180,000	28,275	plus 0.37	for each 1 over	
180,001 & over	62,685	plus 0.45	for each 1 over	180,000

Note the above rates do not include the Temporary Budget Repair Levy or Medicare levy.

AUSTRIA

INTERNATIONAL SECONDMENT AND PERSONNEL LEASING TO AUSTRIA

Recently a separate "wage and social dumping combat Act" (in German: "Lohn- und Sozialdumping-Bekämpfungsgesetz, LSD-BG") has been enacted which will enter into force as of 1 January 2017. The majority of the regulations adopted in this specific Act already existed before, but were scattered across various other Acts. This newly adopted Act mainly serves the purpose of summarising and structuring legal measures already available to combat wage and social dumping. Also the comprehension of this legal matter is intended to be increased in order to prevent the abuse of the Austrian social security system as well as wage dumping.

The set of labour-law standards included in this Act inter alia comprise the entitlement to minimum salary, eligibility for paid holiday and special payments as well as the maximum working hours.

For inbound international secondments and personnel leasing the following requirements have to be fulfilled:

- The fact that an employee is seconded/leased to Austria has to be reported by the employer via the form ZKO-3 (for secondments) or the form ZKO-4 (for personnel leasing), in case the employer is located in the EU, the EEA or in Switzerland. The form has to be filed individually for each employee before the beginning of the assignment via an electronic filing process.
- Furthermore, these forms (ZKO-3 or ZKO-4) as well as the registration with the social security carrier and an official approval of employment in the home country (if necessary) have to be available at the place of the assignment (i.e. the host country) at any time during the assignment. Alternatively, these documents can be provided electronically or maintained by a legal professional authorised for representation (e.g. a tax adviser).

In case these regulations are not adhered to, penalties may be imposed as was already the case in the past. Depending on the number of employees involved, the penalties range from EUR 1,000 up to EUR 50,000. If the registration requirements are not met, fines ranging between EUR 1,000 and EUR 20,000 may be levied.

BDO comment

Employer's seconding employees to Austria must be aware of the change in requirements from 2017 or face penalty charges.

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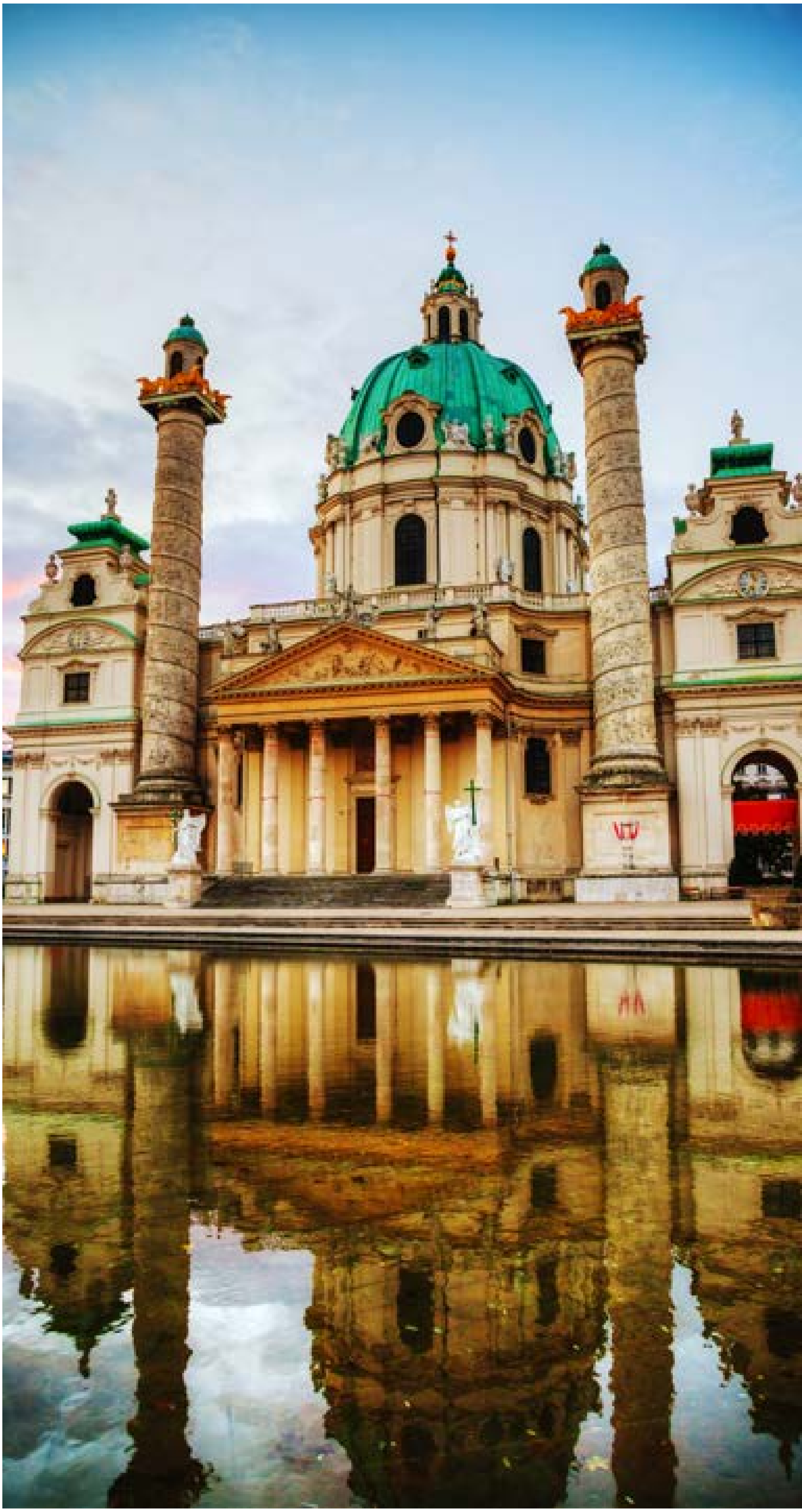

BELGIUM

DISCUSSION ON THE CALCULATION OF THE BENEFIT IN KIND OF HOUSING FACILITIES

When an employer provides free housing to their employees, the employee will be taxed on a benefit in kind. This covers situations where the employer puts at the employee's disposal an apartment/house that the employer owns and situations where the employer signs a rental agreement with the landlord and subsequently puts the house/apartment at the disposal of the employee.

The benefit in kind is calculated based on the notional rental value (NRV) ("kadastraal inkomen/revenu cadastral") of the real estate provided. Until now the Belgian legislation includes a different calculation method for situations where the housing is provided by a corporation or an individual. If the rental agreement for example has been concluded by the employer/company, the benefit in kind will be calculated based on the indexed NRV increased by 60% and multiplied by a coefficient of 3.8. Compared to a situation where the housing would be provided by an employer/individual the increased cadastral revenue will not be multiplied by 3.8 and will result in a lower taxable benefit in kind for the employee.

An example: In scenario A the housing is provided by the company (e.g. rental agreement signed by the company – employer). In scenario B the housing is provided by an individual.

Calculation of the benefit in kind

Situation A	NRV (EUR 2,250) x 100/60 x 1.7153 x 3.8	= EUR 24,443.03
Situation B	NRV (EUR 2,250) x 100/60 x 1.7153	= EUR 6,432.38

The difference in the calculation method has recently been the subject for a case held before the court of appeal in Gent, Belgium. The taxpayer in question found the difference in the calculation method discriminatory.

The court decided that the multiplication by 3.8 should not be applied regardless whether the housing was provided by a company or an individual.

At this point in time we are not informed that the Belgian tax authorities have the intention to file for an appeal nor that there are intentions to adjust the legal framework in this respect. Although there is no legal certainty, some taxpayers are filing a tax claim against their tax assessment where a benefit in kind has been included, stating that the multiplication by 3.8 is illegal. Such claim can be filed against tax assessments that have been issued less than 6 months ago.

For older tax assessments, the deadline for filing a claim has expired and therefore a different procedure would need to be followed. But it is uncertain whether the decision by the Court of Appeal is a sufficient basis to actually support such procedure.

In any case, unless the legislation is changed, it is highly unlikely that the Belgian tax authorities will amend the assessments as a result of the claims procedures. Tax payers would therefore need to start their own court case in order to have their tax assessment amended.

BDO comment

In an international employment situation where the employer provides housing facilities to the employee in the host country and where the benefit in kind should be calculated as described in situation A (e.g. rental agreement signed by the company) one should investigate whether or not it is feasible to start a procedure against previously issued tax assessments.

Employers who have employees (expats) with a net guaranteed remuneration package might be confronted with new gross up calculations due to a change in the calculation method of the benefit in kind for housing.

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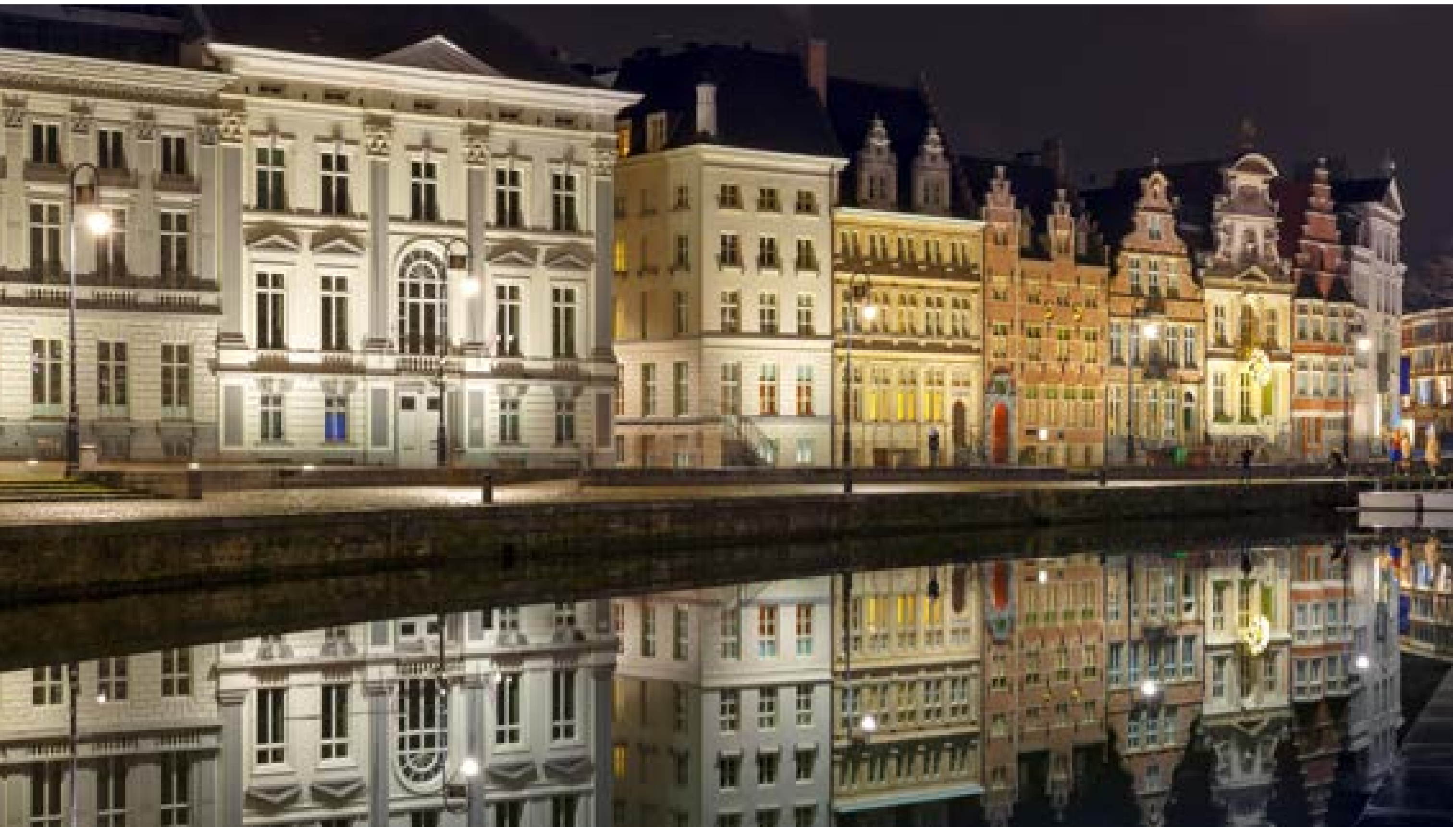

CYPRUS

CITIZENSHIP THROUGH NATURALISATION BY EXEMPTION

In September 2016 the Council of Ministers of Cyprus revised the citizenship by exemption programme and has set new criteria on the basis of which Cypriot citizenship can be obtained. These are summarised below.

Eligible investors for naturalisation

Qualifying investors are non-Cypriot citizens who meet the required financial criteria either:

- Personally; or
- With or through his/her spouse; or
- As a shareholder of a company/companies (in proportion to his/her shareholding); or
- As a high ranking manager of a company.

A high-ranking manager is deemed to qualify if he/she receives such remuneration over the last three years from the application that the tax revenue generated for the Republic is at least EUR 100,000 and such tax has already been paid or prepaid.

Children, dependents and parents

The spouse/cohabitee, children under 18 years old, as well as the financially dependent adult children also qualify automatically without any further requirements.

Financially dependent adult children are considered to be undergraduate and postgraduate university students of up to 28 years of age that are undertaking their first undergraduate or first postgraduate degree and are not studying to acquire a professional title (such as ACA, ACCA, barrister). Legally incapacitated dependents also qualify under this category.

The parents of the investor may also qualify to apply under this scheme provided they own a residence in the Republic of Cyprus of minimum price EUR 500,000 plus VAT.

Prerequisites

- The applicant must have a clean criminal record in his/her country of origin, and also the country of his/her residence if it differs from his/her country of origin. Persons sanctioned by the EU are not eligible for citizenship.
- The investor must own a private residence in the Republic of Cyprus, the net price of which must be at least of EUR 500,000. The investor may own several residential properties in Cyprus of a cumulative net value of EUR 500,000. This property(ies) must be held for life.
- Members of the same family who file separate applications as investors (not dependents) may acquire one residence in the Republic of Cyprus, provided the total price of the residence covers the amount of EUR 500,000 plus any VAT per applicant.
- Where the price of the residence to be acquired in the Republic of Cyprus exceeds the minimum amount of EUR 500,000, any amount paid in excess of EUR 500,000 may be partly used in satisfaction of the economic criteria mentioned below.
- The applicant must be holder of a residence permit in the Republic of Cyprus. A simplified procedure of obtaining a residence permit has been introduced under which an application is filed exclusively for the purposes of the citizenship application and may be filed simultaneously with the application for naturalisation.

Should any of these prerequisites be breached at any time during or after the naturalisation, then the naturalisation may be revoked.

Investment criteria

The applicant must invest at least EUR 2 million in any of the financial criteria detailed below or any combination thereof:

1. In immovable property, residential or commercial real estate development infrastructure projects. This criterion also includes investment in undeveloped land provided the applicant also provides the ministry of interior with an investment plan for its development. The land must be in an appropriate building zone. An investor who has invested exclusively in residential properties does not need to purchase a further private residence (to satisfy the prerequisites) provided one of the residential properties he/she has acquired is of minimum value EUR 500,000 plus any VAT. He/she will need to hold the property for life.
2. Investment in Cyprus businesses (and/or companies) that have physical presence and activities in Cyprus. The investment must be used in the businesses or invested exclusively in Cyprus on the basis of an investment plan. The businesses must employ at least five Cypriot nationals or European citizens and those employees must be lawfully and continuously resident in Cyprus for at least five years prior to the investment. Where more than one investor invests simultaneously or almost simultaneously in the same business (or company), the minimum required number of Cypriot or European citizen employees increases.
3. Investment in alternative investment funds (AIF) which are registered in the Republic of Cyprus and are licensed and supervised by the Cyprus Securities and Exchange Commission. The AIFs must invest exclusively in the Republic of Cyprus and in investments qualifying under the citizenship by investment scheme or in sectors approved by the minister of Finance. The administrator or the auditor of the fund must annually notify in writing the Ministries of Finance and Interior and refer to the value of the initial investment effected. This is to ensure that the investments effected are retained for the minimum period of three years.
4. Investment in financial assets of Cypriot businesses or Cypriot such as bonds or debentures which were issued with the approval of the Cyprus Securities and Exchange Commission. The Cypriot businesses or organisations must have physical presence and substantive economic activity in the Republic of Cyprus and the funds must be exclusively for investment in the Republic of Cyprus on the basis of an investment plan.
5. Investment in government bonds for a maximum amount of EUR 500,000. The bonds must be purchased directly and cannot be acquired on the secondary market.

The investment criteria must be met prior to applying for naturalisation and must have been made no longer than three years prior to the application. The investments must be held for at least 3 years following the date on which citizenship is acquired.

BDO comment

There are clearly defined and numerous requirements in obtaining Cypriot citizenship. Before an individual starts the application process they must be clear on the parameters they need to meet.

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HONG KONG

HONG KONG SALARIES TAX SYSTEM AND EMPLOYER'S REPORTING REQUIREMENTS

There is no pay-as-you-earn system in Hong Kong. Hong Kong employers are not required to withhold Salaries Tax from employees' monthly payroll and pay over of the Salaries tax to the Inland Revenue Department ("IRD").

The employers are only required to prepare and submit annual Employer's Return (Form I.R.56B) reporting the income earned by each employee during the fiscal year from 1 April to 31 March of the year to the IRD; or in case of staff joining or leaving the company, to prepare and submit Commencement Notification (Form I.R.56E) or Cessation/ Departure Notification (Form I.R.56/G) reporting the income earned by the leaver for the period from 1 April to the last working day to the IRD within the specified time frame.

The Hong Kong employees are responsible for completion and submission of their Individual Tax Return (Form B.I.R.60) and payment of Salaries Tax to the IRD directly.

The IRD will base the assessable income of individual employees on that reported by their employer through submission of the annual Employer's Return plus the income and eligible allowances or deductible expenses as reported to the IRD by employee by submission of their Individual Tax Return. If the income as reported by both the employer and the employee matches, the IRD will issue a tax demand to the taxpayer directly with the amount and due date specified in the tax demand for their payment of Salaries Tax to the IRD.

Hong Kong Salaries Tax is calculated at progressive rates on net chargeable income (e.g. gross taxable income after deduction of allowances and deductions including, basic/married person's allowance, child allowance, dependent parent/grandparent allowance, approved charitable donations, home loan interest relief & employee's portion of Mandatory Provident Fund ("MPF") contribution, etc.) ranged from 2% to a maximum of 17% or at standard rate of 15%.

Two mandatory requirements to be provided by Hong Kong employers for their employees

1. Mandatory Provident Fund ("MPF")

MPF is a compulsory retirement scheme which employers and employees in Hong Kong must participate. The employer is required to set up a MPF scheme for employees through the appointment of a MPF service provider within 60 days from the date of commencement of employment. Under the scheme, both employer and employee are required to contribute at 5% each based on the total relevant income [which includes wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance, a housing allowance or other housing benefit paid or payable by an employer (directly or indirectly) to an employee under a contract, but excludes severance or long service payments]. The amount of mandatory contribution is capped at HKD 1,500 per month (e.g. 5% of the maximum level of the relevant income of HKD 30,000). If 5% of the relevant income exceeds HKD 1,500, both the employer and employee may elect to contribute only HKD 1,500 to comply with the MPF requirements.

2. Employees' Compensation Insurance

It is a compulsory requirement for Hong Kong employers to arrange to set up an employee compensation insurance scheme to cover accidents which may be encountered by employees at work.

The above is the only compulsory insurance arrangement for Hong Kong employers for their employees. Insurance for life, health, traveling, office contents or others are voluntary.

Statutory Minimum Wage

It is a statutory requirement for Hong Kong employers to pay employees based on the Statutory Minimum Wage ("SMW") Ordinance which came into force in Hong Kong from May 2011 and the most recent MSW rate which took effect from 1 May 2015 is as follows:

Current Minimum Hourly Wage Rate	HKD	32.50 per hour
Monetary cap on keeping records of hours worked by employees	HKD	13,300 per month

BDO comment

Employers must be aware of their statutory requirements under Hong Kong tax law.

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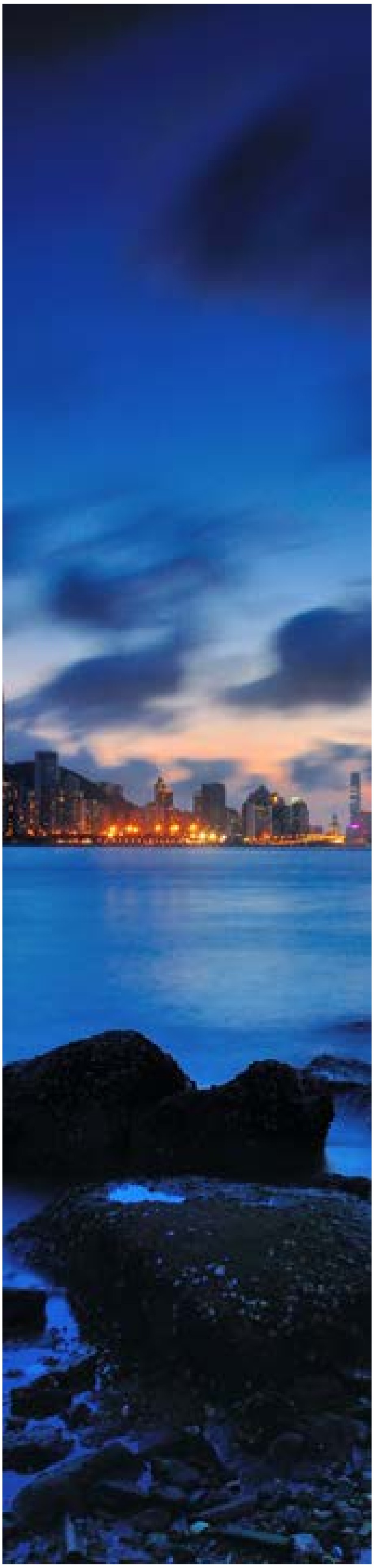


LUXEMBOURG

2017 TAX REFORM

Further to the government's announcements related to the tax reform 2017, draft law n° 7020 has been submitted to Parliament on 26 July 2016. We summarise below the main changes that concern individuals.

Modifications impacting the withholding tax on salaries

– **Abolition of the TBBT** – The temporary budget balancing tax introduced on 1 January 2015 and fixed at 0.5% will be abolished on 1 January 2017.

– **Meal vouchers** – Currently, with a personal participation of EUR 2.80, the employees are not taxed on meal vouchers they receive if their value does not exceed EUR 8.40. From 2017, the maximum value of meal vouchers which can be granted tax-free will jump from EUR 8.40 to EUR 10.80. This constitutes a maximum amount; the choice of the meal voucher's value will remain a decision of the employer. In order not to be subject to taxation, the employees will have to contribute EUR 3.60 per meal voucher.

(EUR)	2016	2017
Value of the voucher	8.40	10.80
Employee's participation	2.80	3.60
Taxable amount	0	0

– **Progressiveness of tax credits** – The tax credit for employees (CIS) of EUR 300 per year as well as the tax credit for single parents (CIM) of EUR 750 per year will vary from 2017 depending on the employees' annual income. In case of wages subject to withholding tax, the right to the CIS/CIM will be mentioned on the tax card and the amount will be calculated by the employer. In the absence of income subject to wage withholding tax, the CIS/CIM will be granted through the tax return. The same principles apply to the pensioners' tax credit (CIP).

CIS (EUR)	CIM (EUR)
Annual income from 936 to 11,265 300 to 600/year	Annual income from 0 to 35,000 1,500/year
Annual income from 11,265 to 40,000 600/year	Annual income from 35,000 to 105,000 1.500 to 750/year
Annual income from 40,000 to 80,000 600 to 0/year	

– **Modification of the tax scale** – In 2016, annual income over EUR 100,000 is taxed at 40%, with an increase of 7% for the contribution to the Employment fund for income up to EUR 150,000, and of 9% for income above this amount. With the 2017 tax reform, two additional tax brackets will be added to the tax table. Annual income between EUR 150,000 and EUR 200,000 will be taxed at 41%, and income higher than EUR 200,000 will be taxed at 42%. Increased by the contribution to the Employment fund and compared to 2016, the effective tax rates applicable in 2017 will be as follow:

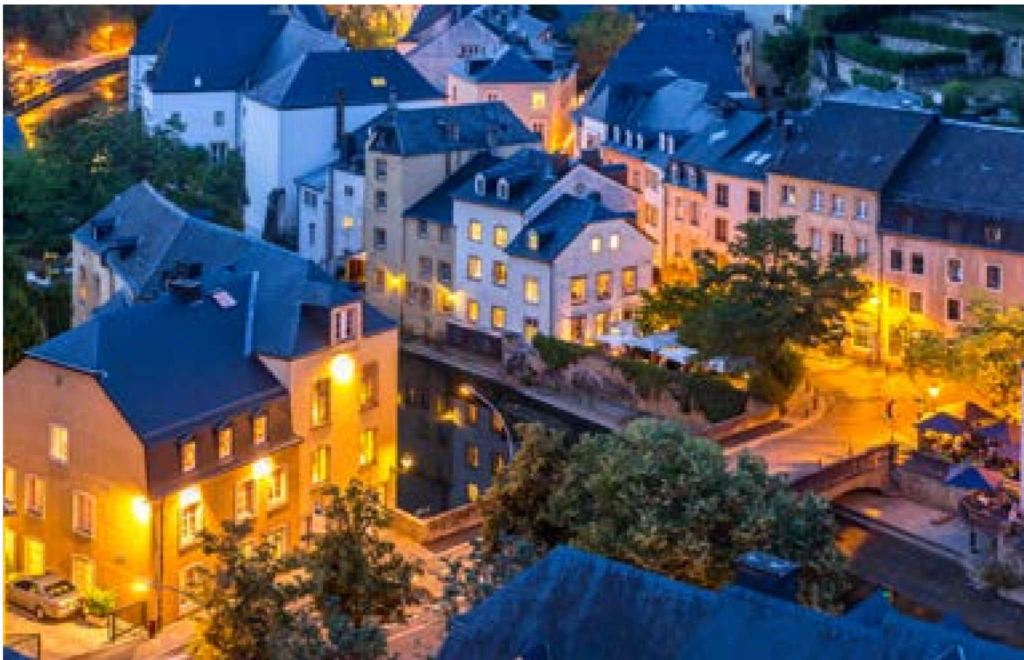
Annual income in (EUR)	2016	2017
100,002 to 150,000	42.80%	42.80%
150,000 to 200,004	43.60%	44.69%
> 200,004		45.78%

These modifications will be integrated into the income tax scale. Furthermore, the first income tax brackets (up to EUR 20,625) will profit from lower rates of taxation than currently.

– **Technical provisions regarding wage withholding tax** – In the future, tax cards will have an unlimited validity until the admission of a new tax card, which takes place inter alia in case of change of employer or family situations. Furthermore, the need to deliver the tax card to the employer would depend on the instructions indicated on this card; the practical aspects still need to be clarified.

– **Valuation of the benefit in kind for company cars** – Currently fixed at 1.5% of the purchase price of the brand new car (options and VAT included), the monthly amount of the benefit in kind for company cars will be determined by the motorisation and the level of CO_2 emissions of each vehicle. This new rule is applicable to vehicles allocated to employees from the tax year 2017. For contracts running on 1 January 2017, the rate of 1.5% will continue to apply until the normal term of the contract. The draft law provides also that the provision by the employer of cycles with pedal assistance will not be subject to the taxation of a benefit in kind.
(see table below)

CO_2 emissions	Monthly benefit in kind according to the vehicle category (% of the vehicle purchase price)			
	2016	2017		
	All categories	Gasoline vehicle (sole or hybrid) or compressed natural gas	Diesel vehicle (sole or hybrid)	100% electric or hydrogen
0g/km	1.5%	-	-	0.5%
>0-50g/km	1.5%	0.8%	1.0%	-
>50-110g/km	1.5%	1.0%	1.2%	-
>110-150g/km	1.5%	1.3%	1.5%	-
>150g/km	1.5%	1.7%	1.8%	-



Modifications impacting all taxpayers

– **Separate taxation of spouses and registered partners** – From 2018, a new tax regime will be implemented: the separate taxation of spouses. On that basis, spouses will be able to opt out of the joint taxation for either standard separate taxation or for a separate taxation with income reallocation. The election will have to be made before the beginning of the tax year.

Concerning declared domestic partners, they can already choose between standard separate taxation (default regime applicable to partners) and joint taxation. In the future they will also be able to opt, like married taxpayers, for separate taxation with income reallocation, provided the request is made no later than 31 March after the end of the tax year.

– **Taxation of non-residents** – As from 2018, married non-resident taxpayers will be taxed with class 1. However, married taxpayers receiving employment income will be able to ask that the withholding tax be calculated at the overall tax rate corresponding to their global income. This request will cause a declaration requirement at the end of the year.

– **Parents living in the same household without being married** – Persons living in the same household without being married and having common children will see their tax benefits reduced. First, all the common children will be tied to the same tax household, so that only one parent can get class 1a. Moreover, the tax allowance for children not living in the taxpayer's household will be disallowed when parents share a common dwelling with their child. The same restriction will apply to the tax credit for single parents (CIM).

– **Principal residence funding** – As from 2017, the interest expenses deduction limits related to the principal residence funding will be raised as follows (amount per person in the taxpayer's household):

Occupancy period	2016 (EUR)	2017 (EUR)
Year of occupancy + 5 next years	1,500	2,000
5 next years	1,125	1,500
Above	750	1,000

– **Extraprofessional allowance** – The extraprofessional allowance of EUR 4,500, which applies when both spouses have a professional activity will be allocated equally between the two spouses in case of standard separate taxation, and on a pro rata basis in the case of separate taxation with income reallocation.

– **New allowance for sustainable mobility** – A new allowance for sustainable mobility has been created and aims at encouraging the purchase of zero or low CO_2 emission vehicles. It depends on the vehicle type: EUR 5,000 for electric or hydrogen vehicles, EUR 2,000 for natural gas vehicles and EUR 300 for cycles (simple or with pedal assistance). It will be obtained via tax return, year-end wage tax adjustment or recording on the tax card.

– **Special expenses** – The deduction ceilings for debit interest and insurance premiums will be merged in a unique annual amount of EUR 672 per person in the taxpayer's household. The conditions of deduction of contributions to home saving and loan schemes will be changed: new restrictions will be implemented related to the use of the funds at the term of the contract, and the contribution ceiling of EUR 672 per person will be doubled for subscribers under the age of 40. Likewise, the regime of the private old age pension scheme will change: it will be possible to get benefits paid entirely as capital, and a single annual ceiling deduction of EUR 3,200 will be set whatever the age of the subscriber.

Type of special expenses	Maximum deductible amount (per person)	
	2016 (EUR)	2017 (EUR)
Debit interest	336	672
Insurance premiums	672	
Home saving and loans contributions	672	672 or 1,344
Old age pension scheme contributions	From 1,500 to 3,200	3,200

– **Extraordinary charges** – Different deduction ceilings will be upgraded in 2017. First, the tax relief for children not living in the household will be increased from EUR 3,480 to EUR 4,020 per child, per year. In addition, the tax relief for housekeeping costs, aid and care costs due to the dependence and childcare costs will rise from EUR 3,600 to EUR 5,400 per year.

Type of extraordinary charges	Maximum deductible amount	
	2016 (EUR)	2017 (EUR)
Tax relief for children not living in the household	3,480	4,020
Tax relief for housekeeping costs, aid and care costs due to the dependence and childcare costs	3,600	5,400

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MOZAMBIQUE

HIRING OF FOREIGN EMPLOYEES

A new Regulation for hiring a foreign employee was recently approved (Decree 37/2016) in a time where foreign investment is plunging and the country is losing competitiveness.

The new regulation introduces ambiguous, subjective and restrictive procedures, complicating substantially the foreign hiring process.

The new regulation comes into force on the 29 November 2016.

The main changes to the quota employment regime are

1. Hiring restriction when there are nationals with similar qualifications and in sufficient quantity (except the legal representatives and managing partners) becomes a general condition. This condition already existed in the previous regulation but only applicable to workers outside the quota and supported by the opinion of Unions. It will now be a general condition and the regulation does not say how it is supported, by which admits discretionary opinion of the Ministry of Labour. (Article 3 paragraph 1)
2. It will also require the submission of a training and gradual replacement plan by nationals from the third year of the company's activity. (Article 3 paragraph 3)
3. The quota shall be calculated based only on the Mozambican workers from the location employee list ("*Relação Nominal*"), reducing the effective foreign employee quotas. (Article 9 paragraph 3)
4. It will require an education equivalence certificate issued by the Ministry of Education or a document certifying the professional experience. It is unknown what type of document certifying the professional experience may be submitted. The process of equivalence by the Ministry of Education can take several months upon receipt of a detailed certificate by subjects, with the contents of each subject translated and authenticated at the consulate/embassy. The Ministry of Education is not prepared for the expected volume of new requests, which will further extend an already lengthy process. (Article 10 paragraph 1 c)
5. Tax Authorities' discharge certificate, previously valid for 90 days, shall be valid for 30 days only. (Article 10 paragraph 1 point d))
6. Social Security discharge certificate shall be requested by the Ministry of Labour and not by the applicant. Our experience shows that the interaction between public institutions can take several days, not uncommonly months. In the frequent cases where the INSS does not have the record of the contributions or the taxpayer has in fact missing contributions, the process will be returned and restarted. (Article 10 paragraph 2)
7. The compliance communication is now provided in 5 workdays instead of at the point of application. It is not unusual that the deadlines in different regulations are largely exceeded. In the case the Ministry of Labour disagrees with any element of the process, the acceptance can take more than a month. (Article 11)
8. The fee to pay for each process increases from three minimum salaries to five minimum salaries, an increase of 67%. (Article 10 paragraph 1 point g))

Assuming the strict compliance with the new provisions, the process can now take between six months to a year, especially for the first work permit that requires the equivalence certificate.

We suggest that all foreign employees request their education certificates at their earliest convenience and have them authenticated and submitted to the Ministry of Education until it is clear which alternative document can be used. We also suggest that the starting the process of work permit applications at least six months before the end of the current authorisation.

Changes to the short term contract regime

1. The 30 days authorisation which was renewable till a maximum of 90 days is now 90 days without possibility of extension. (Article 5 paragraph 1)
2. Establishment of a fee of one minimum salary. (Article 6 paragraph 2 d))
3. The compliance communication is no longer given at the time of submission; it will now be given within 5 working days, same comments on Public Sector deadlines apply as above. (Article 7 paragraph 1)
4. The communication becomes more of an application subject to discretionary interpretation and authorisation of the Ministry of Labour, since approval is now required and may be denied. (Article 7 paragraph 2)

Other changes

1. The requirements of the Investment Projects regime remit to the same requirements as the quota regime, as such the same problems previously referred apply. (Article 13)
2. When hiring expats outside the quota regime the new regulations require either the equivalence certificate or a document proving the employee's professional experience.

   Both documents were needed before. (Article 18 number 2 b))
3. Hiring of foreign employees for the representation of NGO's is now subject to a formal opinion from the sector Ministry. (Article 19 number 2)
4. Professions where a Professional License applies must submit the certificate of membership. We assume that it will include professions such as Medics, Engineers, Lawyers, Accountants, etc. The failure to comply will void the employment contract. (Article 22)
5. The transfer of a foreign employee is only admissible in the case where there is quota available in the branch of destination. The use of the list of employees (*Relação Nominal*) as a basis for the calculation of quota subverts the Labour Law. (Article 24 number 7)
6. Employment agencies can no longer hire foreign employees for their clients, only for their own operations. (Article 1 number 3)
7. The layout of national employees may lead to the layout of foreign employees if the quota on Article 9 is not complied with. (Article 27 number 5).

BDO comment

It is becoming even more difficult to hire foreign nationals in Mozambique. There is a significant lead time in obtaining work permits as well as other requirements. Any employer wishing to utilise foreign workers must plan many months in advance.

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NETHERLANDS

TAX PLANS PER 2017

On 20 September 2017, it was the third Tuesday of September, known as Prince's day or Budget Day in the Netherlands. According to Dutch tradition, it is the day the government announces the new tax plans for the oncoming year. Below, please find some interesting tax plans relevant to employers and employees.

Company car

When an employee is granted a company (lease) car, and the employee uses the car for private purposes exceeding 500 kilometres per year, a certain percentage of the list value of the car is added to the taxable salary as a taxable benefit in kind. As of 2017, the tax plan suggests determining the taxable value of full electrical vehicles (0 gr/km Co_2 emission) at 4% of the list value of the car. For all other cars, the percentage will be adjusted to 22% of the list value of the car.

However the 2016 percentages will remain applicable for a maximum of 5 years, starting from the day the car was first registered. As a result, depending on the kind of car the employee is driving, it could pay to either wait for 2017 to conclude a new lease agreement, or to conclude a new lease agreement in the 2016 year.

Transfer of wage withholding tax obligations between group companies

The possibility of transferring the Dutch wage withholding tax obligation between group companies has already been included in Dutch wage tax legislation for a few years. However, this was only possible in case one group company (usually the non-Dutch group entity) would second an employee to work on behalf of a second group company (the Dutch group entity). In this case, upon request with the Dutch tax authorities, the Dutch group entity could include the employee in the Dutch payroll, and take over the Dutch wage withholding tax obligation from the non-Dutch entity thus avoiding the necessity for the non-Dutch group entity to register in the Netherlands for Dutch wage tax purposes and process a Dutch payroll.

The Dutch tax plans for 2017 suggest removing the condition that the employee should be seconded from one group company to the other. This would open up the possibility of transferring the Dutch wage tax obligation within group companies in more situations, as long as there is a Dutch group company willing to take over the Dutch wage withholding tax obligations. The request with the Dutch tax authorities still needs to be a joint request.

Box 3, income from savings and investments

Up to and including the 2016 year, the tax liability relating to the income from savings and investments in the Netherlands was calculated as follows. Based on the value of the individual's savings and investments on 1 January of the tax year, it was assumed that an interest rate of 4% was received (the fictitious interest rate), after applying a tax free amount of EUR 24,437 (amount for 2016). The resulting taxable income from savings and investments was taxed at a flat tax rate of 30%.

As of 2017, the tax liability is still based on the value of the individual's savings and investments per 1 January (excluding the tax free amount of EUR 25,000 for 2017). However, the taxable value is based on the following table:

	Taxable Base	Fictitious interest rate 1.63%	Fictitious interest rate 5.5%
1	<EUR 75,000	67%	33%
2	EUR 75,001-EUR 975,000	21%	79%
3	>EUR 975,001	0%	100%

The applicable tax rate on the calculated taxable value remains a flat tax rate of 30%.

BDO comment

Be aware of the proposed changed due to be implemented from 2017 as they apply to your situation.

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POLAND

STANDARD AUDIT FILE FOR TAX (SAF-T)

Commencing on 1 July 2016, changes to the Tax Ordinance Act came in to force introducing new rules and additional reporting requirements. All Polish taxpayers must implement a SAF-T from this date, the format of which must be in an agreed logical structure and include certain mandatory data.

BDO comment

Individuals liable to Polish tax need to implement a SAF-T now as the Polish tax authorities will require this for the communication of tax information.

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SWEDEN

BUDGET 2017

The Swedish budget Bill for 2017 was recently submitted to Parliament and comprises a number of tax changes. However, the Bill does not contain any surprises in addition to the tax proposals already announced. Below is a summary of the proposals in brief:

- The enumeration of the lower and upper limit for Swedish state income tax is limited.
- The time-limited reduction of benefit for some environmentally friendly cars will be extended.
- The tax reduction for repair and maintenance of household appliances will be introduced.
- The limit for deductions for travel cost between work and home is increased from SEK 10,000 to SEK 11,000.
- A temporary support for smaller companies who employ their first individual.
- A prohibition of deductions for interest on certain subordinated liabilities is established for companies in the financial sector.
- Requirements for the transfer of value in the context of group companies.
- The rules for the capital investment in the calculation of deficit block is changed.
- Deduction of entertainment expenses for lunch, dinner, supper or other refreshments will not be allowed but for lighter meals.
- The right to deduct VAT on entertainment expenses for meals will increase.
- The general payroll tax is increased but the overall level is unchanged.
- A threshold for VAT purposes of EUR 30,000 per year is introduced.
- The value added tax on certain repairs is decreased.
- The interest on the Swedish tax account is reduced.
- The tax on advertisement is decreased.
- The taxation of diesel fuel for boats and ships in the agricultural, forestry and aquaculture activities will be the same as for diesel fuel in work machines.
- The energy tax is adjusted in a number of areas.
- A tax on certain chemicals in electronics.
- Tax on alcohol in beer, wine and liquor will be increased.
- The definition of taxation year for certain excise duties changed.

It has been announced that separate proposals will come in the autumn regarding:

- Rules for deferral of the capital gain on the sale of private property should be amended.
- Information on the individual level of employer PAYE returns should be introduced in 2018.

Currently employers file a PAYE return that specifies total compensation paid for the company per month. The Swedish tax agency has proposed to the Treasury Department that the employers PAYE return to account for paid compensation should be on an individual level. The Swedish tax agency has proposed monthly reporting of income to be able to detect errors and deficiencies at the earliest opportunity.

Today there are systems in Denmark and Norway for reporting at the individual level. The proposal would introduce additional administration for companies in filing additional data on a monthly basis that today is performed on a yearly basis. The reporting on the individual level would be made in an attachment to the employer's PAYE return. The tax agency is proposing to change the rules on employers' declarations of income, taking effect from 1 January 2018.

BDO comment

Altering the monthly filing requirements will create an increased burden for all companies, especially foreign employers. Businesses need to consider changes required to processes and systems to be ready for the enhanced reporting obligations.

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UNITED KINGDOM

THE APPRENTICESHIP LEVY – A NEW ADDITION TO THE COST OF EMPLOYMENT IN THE UK

April 2016 sees the introduction of a new way of funding apprenticeships in the UK called an Apprenticeship Levy. The Levy will apply to all businesses regardless of whether or not they have traditionally employed apprentices although there will be a Levy Allowance which will help to meet the cost of the Levy for smaller businesses.

So what is the Apprenticeship Levy and how is it calculated?

The Levy is intended as a contribution from employers towards the costs of funding new apprenticeships in the UK and the Government has set a target of three million new apprenticeships by 2020.

The Levy is charged at 0.5% of an employer's pay bill which is broadly described as the earnings for National Insurance purposes. For the purposes of the levy, an 'employer' is someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance Contributions (NICs) for their employees. It is important to note that your paybill includes earnings which fall below the threshold for secondary contributions and would therefore effectively be within the zero rat band for National Insurance. Similarly your paybill will include the earnings of employees which are normally exempt from NIC because the employee is aged under 21, or under 25 for apprentices.

It is important to note that Class 1 earnings may include benefits and expenses where you are settling the employee's personal liability, for example school fees and accommodation rental, and may also include earnings from certain share plan events where a PAYE and NIC liability arises.

The Levy will be collected from employers through their monthly payroll returns and the calculations will be included in your Real Time Information submissions to HM Revenue and Customs (HMRC) with the Levy payable monthly alongside the PAYE and NIC deductions.

How will the Levy Allowance work?

Also included in the proposal is a Levy Allowance of GBP 15,000 per year which employers can set against their Levy bill and will effectively mean that for employers with a paybill of up to GBP 3 million their Levy charge will be cancelled out by the Levy Allowance.

However, it is important to check whether you are entitled to the full Levy Allowance of GBP 15,000 against your payroll because if you are a member of a group or are connected to other companies in the UK, then you will only have one allowance of GBP 15,000 to share amongst the member companies. The initial proposals required a group to nominate which group company would receive the allowance but an amendment to the legislation enables businesses to decide at the beginning of the tax year how the allowance will be split between group members. The rules apply similarly to connected charities.

How the allowance will work in practice is probably best illustrated with a worked example.

Looking at an employer with an annual paybill of GBP 25 million the position will be as follows:

- Levy sum:
  0.5% x GBP 25,000,000 = GBP 125,000
- Allowance:
  GBP 125,000 – GBP 15,000 = GBP 110,000 Apprenticeship Levy payable

The Levy will be calculated on a cumulative basis so if your paybill varies from month to month, perhaps on a seasonal basis, then the Levy payment will also vary. The Allowance is allocated evenly across the tax months, so up to GBP 1,250 a month, but any unused balance can be carried forward and set against the liability for a subsequent month.

What happens to the Levy payments?

This will depend on where in the UK your employees live, as the Apprenticeship Levy is a devolved policy and whilst HMRC will collect the Levy on a UK wide basis, the way in which the Levy funds can be accessed will vary from country to country.

In England, the Apprenticeship Levy once paid will be held in a digital apprenticeship service account from which funds can be drawn down to pay for the cost of qualifying apprenticeships. Employers will be able to register for an account which will enable them to select approved courses, advertise roles and find suitable trainers. The funds held on account will be topped up by an additional 10% from the Government and must be used within 18 months or they will expire. There will be funding limits on individual employees and courses and these will be set by a new body, the 'Institute for Apprentices'.

Initially the funds will only be available to train your own employees but funding schemes for other employers, perhaps a company in your supply chain, are also being looked as a future enhancement to the scheme.

Scotland, Wales and Northern Ireland are yet to announce their plans for accessing their share of the Apprenticeship Levy funds and Scotland in particular has been keen to gather feedback from employers on the options available with a consultation process that closed at the end of August 2016.

BDO comment

Companies needs to ensure they are collecting the Apprenticeship Levy and are also able to correctly allocate the Levy Allowance across group companies.

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UNITED STATES OF AMERICA

INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER (ITIN) MAY BE EXPIRING

Recently, IRS Notice 2016-48 was published containing important compliance changes for foreign individuals applying for an Individual Taxpayer Identification Number (ITIN). Foreign individuals may have previously applied for an ITIN to satisfy necessary US tax requirements. However, based on the new law, ITIN's that have not been utilised on a federal return at least once in the past three years will no longer be valid, unless renewed. Furthermore, ITIN's issued prior to 2013, must also be renewed. Without proper renewal compliance, tax returns may not be processed or refunds could be delayed.

Renewing an ITIN

- **Unused ITIN's** – If an individual's ITIN has not been reflected on either a 2013, 2014 or 2015 (last three years) income tax return, the ITIN will no longer be valid as of 1 January 2017. The period to renew will begin on 1 October 2016 and taxpayer's must utilise Form W-7 (marked with a "Rev. 9-2016" revision date). The revised Form W-7 should be available during September 2016.
- **Expiring ITIN's** – ITIN's issued before 2013 will begin expiring and taxpayer's will need to start renewing their ID number. ITIN's are a nine digit number (similar to a SSN), with the following numbering sequence; XXX-XX-XXXX. The middle two numbers (XXX-78-XXX or XXX-79-XXXX) that contain a 78 or 79 will start to expire first and require prompt renewal.

  From August 2016, taxpayer's will be receiving notices from the IRS regarding the expiration of their respective ITIN's. The notice will explain the process necessary to renew their ITIN. Only ITIN holders that require tax compliance with the US authorities will need to renew, while if there are no filing requirements necessary for 2016 or future years, no action is required at this time.

How to renew

Please complete form W-7, Application for Individual Taxpayer Identification Number, utilising version Rev. 9-2016, which are available from September 2016. Taxpayer's could start submitting their Form W-7 as of 1 October 2016. IRS is not requiring a tax return to be included with the remitted renewal application. Once completed, a taxpayer can either mail the form along with the required documents (certain certified documents are required) to the IRS, make an appointment with the IRS Taxpayer Assistance Center, or utilise an Acceptance Agent to complete the filing. As with all Form W-7s, without the proper required documentation affixed to the form, the application can either be denied or delayed. The ITIN process along with approval can be lengthy so we recommend that the form and its attachments are properly submitted.

BDO comment

Taxpayers must ensure they re-apply for an ITIN as required. This process should be started as soon as possible to ensure future tax filings are not delayed.

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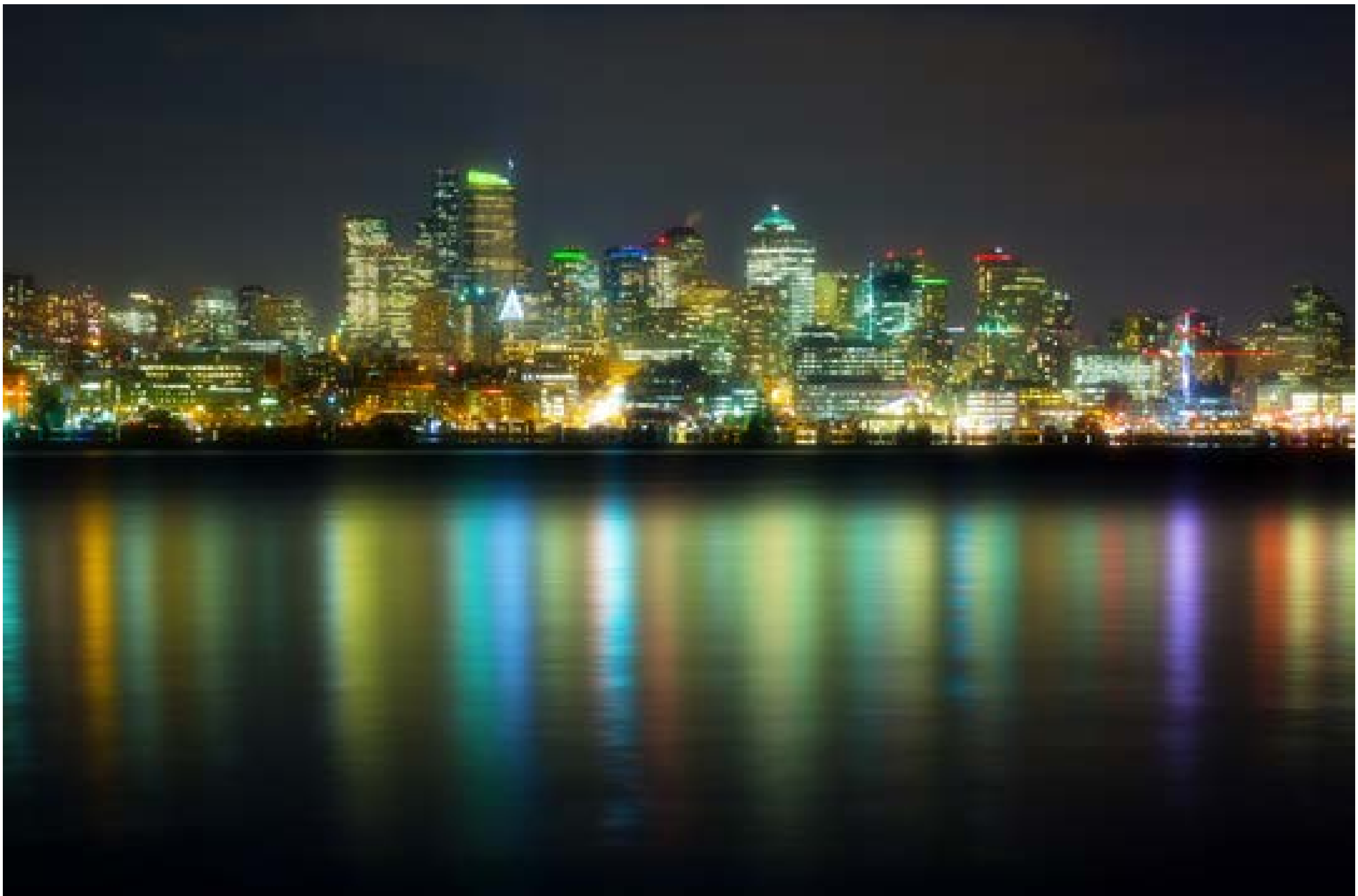

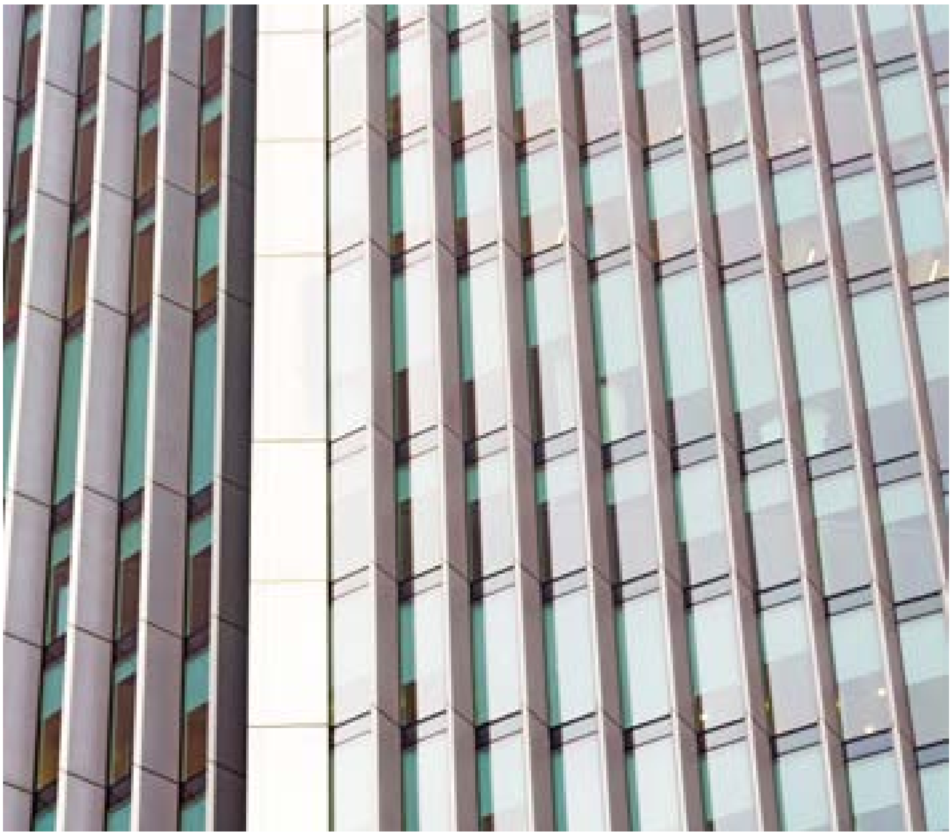

CURRENCY COMPARISON TABLE

The table below shows comparative exchange rates against the euro and the US dollar for the currencies mentioned in this issue, as at 19 October 2016.

Currency unit	Value in euros (EUR)	Value in US dollars (USD)
Australian Dollar (AUD)	0.69669	0.76655
British Pound (GBP)	1.11380	1.22547
Euro (EUR)	1.00000	1.10018
Hong Kong Dollar (HKD)	0.11712	0.12888
Swedish Krona (SEK)	0.10314	0.11348

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