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Antea International Business is a quarterly publication, made up of contributions from colleagues all around the world. The newsletter compiles country focus articles, international tax cases as well as technical updates on a variety of topics that impact business.

Experts in Antea have the knowledge and experience to help you on your journey, and this issue should be the starting point for your inquiries.

Some of the features of this edition include:

The Reform of Japanese Consumption Tax, Free Trade Zones in Paraguay and Updates on the VAT and Stamp Tax Laws in Egypt.

We hope you find the contents of this newsletter useful and informative. Happy reading!

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Small tax reform in Chile

The new Law 21.420 published on 02/04/2022 modifies several regulatory bodies in order to reduce or eliminate tax exemptions.

1.- Regarding VAT: this tax will begin to be levied on all services rendered without distinction, excluding or exempting only the health, education and transportation sectors, as well as taxpayers who issue fee receipts. In order to make a small counterbalance to this new rule, the law will also exempt from this tax the income of the Professional Partnerships of art. 42 N° 2 of the Income Tax Law, even when they have chosen to declare their income in accordance with the First Category rules. Finally, ambulatory medical services will also be exempted from this tax as long as they do not provide lodging or food services typical of a hospital, clinics, etc. This new regulation will be in force as from 01/01/2023.

2.- Regarding income tax: Regarding amendments made to the Income Tax Law, we highlight the impossibility of deducting as a business expense leasing contracts with an option to purchase goods that imply a financing or financial leasing operation. This modification will be effective as from 09/02/2022.

In addition, a Single Tax rate of 10% on capital gains (for the disposal of instruments with stock exchange presence) is created on the higher value obtained, however, this tax will not apply (it will not constitute income) to capital gains obtained by the so-called "institutional investors" (those referred to in letter e) of art. 4° bis of Law No. 18,045, this is, banks, financial companies, insurance companies, national reinsurance entities and fund managers authorized by law and those authorized by a general rule), whether they are domiciled or resident in Chile or abroad. This new Single Tax will become effective as from 01/01/2023.

3.- Regarding inheritance and gift tax: Finally, we can mention the fact that this tax is now levied on the benefits obtained under life insurance contracts entered into as from the date of publication of this law, except for the benefits arising from disability and survival insurance indicated in D.L. No. 3,500, of 1980. This regulation becomes effective as from 02/04/2022.

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Czech Recovery Plan – brief summary

The Czech Government has approved the Recovery Plan by its Decision no. 467 dated on 17 May 2021, which introduces the necessary regulatory modifications to allocate the funds according to the Recovery Plan. The Government also approved Statute, Rules of Procedure and Code of Ethics of the Governing Committee of the National Recovery Plan, National Recovery Plan Committee and Detailed description of the division of activities and responsibilities.

The competent body in the Czech Republic is the Ministry of Industry and Trade (MIT). According to the current version of the Recovery Plan, the funds should be open to all companies. Companies can present projects aimed at meeting the objectives of the Recovery Plan, but only new projects or projects under implementation as of 1 February 2020 will be eligible for funding.

Requests for payment may be submitted by the Czech Republic no more than twice a year. The Czech Republic may send the last request to the European Commission by the end of August 2026 and the last payment must be made by the end of 2026 at the latest.

The Czech Recovery Plan has a dedicated website that is continuously updated at *www.planobnovycr.cz* and is maintained by the MIT. On this website you can, among other things, download the entire plan that went to Brussels for comment. An extract of the several hundred-page document is available as an e-Book and it briefly summarizes the essence of the plan, including the individual pillars.

The European Commission has officially endorsed the Czech Republic's Recovery Plan, a key step towards the EU disbursing €7 billion in grants under the Recovery and Resilience Facility (RRF).

Current programme launched by MIT on 8 March 2022 (see attached Tender Rules in CZ language only) includes, inter alia, the following conditions:

- PV systems located on roofs, etc. where the building is owned or fully/partially leased by the applicant
- Output: 1kWp to 1 MWp (including)
- Application Deadline: 30 June 2022
- Deadline for Installation: 30 November 2023
- Allocation for PV, bearing constructions, cabling, batteries, etc.

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Egypt: Updates on the VAT and Stamp Tax laws (Law No.3 Year 2022)

Egypt was one of the few emerging market countries that experienced a positive growth rate in 2021. As a result of the government's swift and prudent policy response, coupled with IMF support, the Egyptian economy showed resilience in the face of the pandemic.

Continuing to the number of recent enhancement reforms, The Egyptian government has submitted an amendment to some articles of the Value Added Tax Act No. 67 of 2016. The law was published in the Egyptian official gazette on 26 January 2022 and effective 27 January 2022 onwards.

STAMP TAX – Changes

Advertising Services
The advertising services are no longer subject to stamp tax duty at 20% after the issuance of law no.3 of 2022.

However, such services are now subject to VAT at 14% as stipulated by the new amendments.

VAT LAW – Changes

Penalties
The law has introduced a new penalty of 1% of the VAT/ schedule tax due to be imposed on the taxpayer who violates the provisions, procedures or regulations of the law without being considered as an act of tax evasion.

The penalty shall not be less than EGP 1,000 and shall not exceed EGP 10,000, that should be paid along with the VAT/schedule tax and additional tax due.
Noting that the above penalty could be doubled in case of repeating the violation within three years.

Foreign Visitors Purchases
Foreigners visiting Egypt for a period of three months or less have the right to refund the VAT paid on their purchases upon leaving the country.

However, the refund is only applicable in case the amount is not less than EGP 1,500 for each invoice and the purchased items leave the country with the foreign visitor or by any other mean.

Simplified Vendor Registration System
According to the newly introduced simplified vendor registration system, every non-resident and unregistered person who does not practice an activity through a permanent establishment in Egypt and sells goods or provides taxable services to a person who is not registered inside the country, is obliged to apply for registration

under the simplified vendor registration system as will be specified by the executive regulations.

Simplified vendor registration system should be enforced within six months for services and within two years for commodities from the effective date of the law.

Entities registered under the simplified vendor registration system do not have the right to deduct their input VAT. However, they have the right to refund their input VAT that is necessary to perform their activities inside Egypt.

In case the non-resident registrant fails to comply with any of the obligations stipulated in this law, the Minister of Finance may request the public prosecution to ban or restrict their access to the Egyptian market until the registrant fulfills these obligations.

Registration for Reverse Charge Purposes

Resident and unregistered juridical persons who sell goods or perform services that are not subject to VAT while they import services that are subject to the VAT/schedule tax are now required to be registered at the ETA for RCM purposes, calculate and remit the tax within 30 days from receiving the service.

This new registration system will be applicable on juridical persons that were not previously liable to comply with VAT reporting requirements such as banks, insurance and pharmaceutical companies.

Exemptions

The new amendments have rephrased the provisions related to some goods and services that are exempt from VAT and expanding their scope by including additional items:

- Sanitation services, non-touristic marine transportation services for individuals, air transportation for individuals, vaccines, blood and its derivatives and family planning products.
- Medicine and the relevant production materials shall be exempt based on a decree to be issued from the Egyptian drug authority.
- Freight services related to imported beans, grains, food salt and manufactured species are now exempt from VAT.
- Medically equipped cars for individuals with special needs are no longer exempt, without prejudice to the provisions of the law of the rights of persons with special needs no. 10 of 2018.
- Exemptions were given to services performed by the Suez Canal Authority for ships in transit, including for transit

Other amendments

- Adding more definitions including the Reverse Charge Mechanism (RCM), Non-resident Registrant and The Simplified Vendor Registration System definitions.
- Goods and services exported by projects of economic zones to free markets abroad, or received by said free markets, are subject to (zero) Tax.
- Suspending the performance of tax on imported or domestic industrial production machinery and equipment for one year. In case it was proven to the ETA that such machinery and equipment were used in the industrial production within such period, it shall be exempt from VAT.
- Imported Goods/ Services - Resident and registered entities are no longer required to calculate and declare the tax due on imported services, in case the non-resident service provider is registered at the ETA under the simplified vendor registration system. Tax on imported goods is not due to be collected by the customs authority, if it is proven that the VAT was collected by the non-resident registrant.
- Special Rates Schedules - The new amendments have rephrased the provisions related to some goods and services that are subject to schedule tax (first table) in addition to the goods and services that are subject to schedule tax and VAT (second table).
- Governmental ministries, departments, agencies, local administration units, public bodies and other juridical persons are now obliged to pay the schedule tax due directly to the ETA within 10 days from its due date.
- Ensuring that tax refunds do not exceed the credit balance of the goods and services for which the tax credit applies.
- Seven types of advertisement are exempt from VAT, most notably are media advertisements or public safety announcements, and advertisements for employment.

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Modernisation of the relief procedure for withholding taxes on capital gains

German withholding tax as an investment and tax planning trap?

When international companies establish a local subsidiary in Germany, they should always consider the specifics of the withholding tax refund procedure in addition to the Double Taxation Treaty (DTT). Poor planning or errors in the application can quickly lead to double taxation and significant compliance efforts and costs. The already complicated and lengthy procedure has become even more complex as a result of the modernisation enacted in 2021.

Germany has been regarded as an attractive location for investment and holding companies from a tax perspective until now. For example, the German basis for negotiations concerning double taxation treaties provides for an exemption of 95% for recipients of intercompany dividends and an exemption of 85% for free float dividends. The EU Parent-Subsidiary Directive goes even further with a 100 percent exemption.

However, withholding tax on investment income must be deducted regardless of any overriding regulations. The foreign parent company can only recover the excess withholding taxes paid under the relief procedure from the Federal Central Tax Office (BZSt). Only those who successfully follow this procedure through to the end can avoid an effective tax charge of approximately 26% on retained earnings.

Modernisation of the relief procedure

The procedure was partially revised in 2021 through the Act on the Modernisation of Relief from Withholding Taxes *(Abzugsteuerentlastungsmodernisierungsgesetz,* AbzStEntModG). The legislator had different objectives in mind when redrafting the regulation: on the one hand, the CJEU ruling regarding the violation of the freedom of establishment and, on the other, the implementation of the Anti-Tax Avoidance Directive (ATAD) to combat abuse.

As a result, the risk has increased that the procedure will become a protracted and also costly long drawn-out affair. Since there is currently also no updated circular from the Federal Ministry of Finance (BMF), the uncertainty is further increased. But there are bright spots as well.

Proof of personal entitlement to relief and entitlement to relief under the substance test

Pursuant to Section 50d (3) of the German Income Tax Act (*Einkommensteuergesetz*, EStG), only the actual beneficiary of the inflows behind the payment creditor is entitled to relief in this respect. The person must therefore also be entitled to relief himself. As a result, the personal entitlement to relief must be reviewed individually for each indirect beneficiary of the distribution and the positive shareholding ratios added together. The practical side of this requirement is already posing considerable (documentation) challenges for tax advisers and tax managers of multinational companies.

In addition to the personal entitlement to relief, the entitlement to relief under the substance test must also now be proven. Accordingly, the receiving company must be able to demonstrate a significant connection with the economic activity of the payment debtor and also an appropriate business operation for this purpose.

Since the requirements are cumulative according to the wording of the law, it is theoretically no longer possible to assume relief in the case of an applicant that performs little activity or is economically active elsewhere. As in the past, shareholders who are not entitled to relief may be denied relief on a pro rata basis somewhere in the shareholding chain. More often than not, when it rains, it pours.

In addition, there are ambiguities regarding the substance requirement for the applicant or the scope of the "to the extent" reference in the substance entitlement test. There is a clear need for this to be clarified in a BMF circular.

Practical scope of the escape clauses

As before, a payment creditor listed on a stock exchange is exempt from the obligation to furnish proof (at least with regard to its shareholding). However, following the tightening of the law, an indirect shareholder with a stock exchange listing is no longer sufficient. This means that intermediate holding structures of listed groups must also be regarded as fundamentally at risk.

One can infer from the newly introduced provision with a cautious degree of confidence that relief will ultimately be granted even if the requirements are not met if "none of the main purposes (...of the dividend recipient...) is to obtain a tax advantage", Section 50d (3) sentence 2 EStG. The applicant needs to therefore prove his innocence here. The practical scope of this "principal purpose test" rule, which became known in the context of the base erosion and profit shifting (BEPS) initiative, is currently also made difficult as there are many grey areas due to the lack of an up-to-date BMF circular. A search of the literature suggests that so-called "meander structures" as well as actively

managed investment holding companies are to receive the sought-after relief. There is hardly any practical experience of this.

Even more promising seems to be the proof of the properly established business operations of the applicant. It is interesting to note here that the BZSt questionnaire considers this proof in the EU intercompany dividend case to be sufficient as an alternative rather than in addition to the personal relief entitlement in order to benefit from the exemption. There is reason to suspect that this proof of economic activity is interpreted in a quasi-redundant manner with respect to the proof that there are no abusive arrangements pursuant to Section 50d (3) sentence 2 EStG. This would indeed be a significant simplification for all structures that are not purely tax motivated. However, it is important not to celebrate too soon, as the BZSt wants to know exactly what is going on and would even like to see the applicant's telephone connections, rental agreements and payroll journals, for example. So here, too, a cross-border coordinated copying or scanning operation is needed to deliver the documents on time. As an aside, regulations regarding data protection and trade secrets must be complied with, so, for example, the documents would have to be redacted accordingly before being sent. This can be a tedious job in the case of payroll records.

Other important aspects

In addition to the extensive documentation requirements, practical aspects must also be taken into account to ensure that the process does not fail in the end. For example:

- An exemption is valid at the earliest from the date of the application submitted to the BZSt. This should definitely be taken into account when making dividend decisions. Otherwise, the withholding tax must be reimbursed or a notice of liability may even be issued. In the worst case, a refund application must then be submitted immediately after the application for exemption (if the application was submitted too late for the dividend).
- The requirement to provide the applicant's tax residency certificate has almost become a classic in the catalogue of problems. There have already been numerous cases in the EU where the issuing of such a certificate by the local tax authorities has proved to be very difficult. Where third countries are involved, this can ultimately mean the end of the road if the relevant certificate cannot be provided. At least with regard to the form, the BZSt is now prepared to accept forms from other authorities as well, provided they are written in English.
- An application for exemption may be issued for a maximum of three years. Since it can take even years for a final decision to be made regarding the applications, it is important that an application be filed in good time.

- An arm's length test is not carried out in the context of withholding tax. Transfer pricing should therefore also be borne in mind in order to avoid paying withholding tax on the distribution of excessive retained earnings in Germany. This applies all the more if a subsequent adjustment cannot be ruled out for procedural reasons.

In conclusion, it should be noted that in the case of economically justified structures, a refund procedure can be successful. However, the process must be carefully prepared in order to successfully obtain the requested refund or exemption and to avoid double taxation.

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Tax Control Plans in Serbia 2019 – 2021

The Director of the Tax Administration publishes every March a tax inspection plan, pursuant to Article 118 of the Law on Tax Procedure. The Authorities follow an advanced risk analysis system and use an organized database, which applies risk assessment practices and criteria to select which taxpayers should be subject to control.

The annual plan is created by determining the degree of risk evaluated by the risk of all taxpayers. To calculate the degree of risk general criteria, such as the amount of turnover and the size of taxpayers from financial statements, are set. As for assessing the risk probability by segments, the behavior of obligator, the VAT and the financial statements and tax returns filed to determine income/income taxes are taken into consideration. Based on these criteria and identified risks, the active taxpayers gathered yearly are more than 500 thousand legal entities and entrepreneurs with fast growing trends

The Annual Control Plan is focusing on high-risk taxpayers as the percentage of planned controls has been increased from 80% to 90% since 2020. What is more, special attention is paid to taxpayers who have expressed a tax credit for several months. The Authorities' capacity exceeds 2000 tax inspections on an annual basis and the audits are focused on the last 2 to 3 years.

The tax inspection plan, for 2019, was specified to:

1. taxpayers whose founders are non-residents, their transactions with related parties, and the application of double taxation agreements;
2. taxpayers who make status changes and the impact of the transfer of assets and liabilities on VAT and corporate income tax, and
3. taxpayers engaged in the trade of petroleum products and the regularity of calculation and payment of excise duties.

However, the gray economy remains a longstanding problem. Controls of recording turnover through fiscal cash registers, by cross checking risk criteria and other applications, as well as controls based on applications and knowledge related to unregistered activities, are performed as part of the fight against the gray economy. It's worth mentioning that controls of recording turnover through the fiscal cash register are performed mainly on taxpayers with large cash circulation amounts.

In conclusion, enterprises presenting tax credits, entities achieving high annual turnovers, and/or performing significant transactions with related parties along with the ones activated in markets of excise (tobacco, petroleum, etc.) are the main targets of inspectors; thus, cooperation with highly knowledgeable advisors to avoid and/or oppose adverse audit findings is considered necessary.

Eurofast, with a forty-year experience in the field of Tax consulting and established presence in 23 countries in Europe and the Balkans, employs high skilled professionals, who will put your vision into action while always ensuring transparency and good administration. Our consultants are at your disposal to assist you with organizing group policies and business plans and present clear documentation for future audits.

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Source: *https://www.purs.gov.rs/aktuelnosti/Ostalo/7037/godisnji-plan-poreske-kontrole-za-2021-godinu.html*

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Doing business in Israel- 5 important things you need to know

If you are an international company, interested in doing business in Israel, we have six important questions and answers you should know, in order to start your business activity in Israel.

Should I register my company with the Israeli Registrar of Companies?

Yes. If you have a foreign company that wants to conduct business activities in Israel, you must register with the Registrar of Companies in Israel.

It is possible to incorporate as an Israeli company and issue shares, or to be registered as a foreign company without registered shares.

Does my foreign company have to open a bank account in Israel?

Yes. If your foreign company wishing to be incorporated in Israel, and open files with the Israeli tax authorities, you must open a bank account in Israel. This is a condition for opening VAT files.

Does my foreign company have to open a VAT file in Israeli tax authorities?

In general, yes.

If you have a foreign company that is interested in doing business in Israel is a company that probably liable to a VAT payment on its income. The advantage is that opening a VAT file allows the company to also receive VAT back for expenses, and therefore paying lower VAT as possible.

As of 2020, the VAT tax in Israel is 17%.

Does my foreign company have to open an Income tax file in Israeli tax authorities?

In general, yes.

If your company is foreign and interested in doing business in Israel, your company probably liable to income tax payment on its income.

By opening an income tax file, the company report and pay advance tax payment, and at the end of the year will submit an annual report and calculate the corporation final tax.

As of 2020, the corporation tax in Israel is 23% on profit.

Do I need a fiscal representative in Israel?

Yes. If your company conducts business activities in Israel, and does not have an Israeli shareholder or director, it must appoint a fiscal representative.

The fiscal representative is personally responsible for the company's taxes in Israel. That is, in case the company does not pay taxes in Israel for any reason, the tax authorities can turn to the fiscal representative and claim the tax debts of the company in Israel.

Do you want to consider business activity in Israel? Consult with our experts.

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Tax credit for the purchase of energy and natural gas

In order to fight the economic effects of the "Ukrainian crisis", the Italian Government introduced a series of tax credits for the benefit of enterprises purchasing electricity and natural gas. We can identify two categories of tax credits:

1) those related to the **use of electricity** and,

2) those related to the **use of natural gas**.

1. TAX CREDIT FOR THE USE OF ELECTRICITY:

For enterprises are granted the following tax credits concerns the use of energy:

- the **tax credit for "energy intensive companies" relating to the first quarter of 2022**, provided by article 15 of Law Decree no. 4/2022, equal to the 20% of the costs for energy purchased and actually used in the first quarter of 2022. This kind of tax credit is aimed to Companies defined in Article 3 of Ministerial Decree 21.12.2017, which had an increase of more than 30% in the average cost of electricity per KWh, net of taxes and any subsidies between the fourth quarter of 2021 and the fourth quarter of 2019.
- The t**ax credit for "energy intensive companies" relating to the second quarter of 2022**, provided by article 4 of Law Decree no. 17/2022, equal to the 25% of the costs for energy purchased and actually used in the second quarter of 2022. This kind of tax credit is aimed to Companies defined in Article 3 of Ministerial Decree 21.12.2017, which had an increase of more than 30% in the average cost of electricity per KWh, net of taxes and any subsidies between the first quarter of 2022 and the first quarter of 2019.
- The **tax credit for companies that produces and self-consumes energy in the second quarter of 2022**, provided by article 4 of Law Decree no. 17/2022, equal to the 25% of the costs incurred for the purchased and self-consumed energy component in the second quarter of 2022. In this case the tax credit is determined with regard to the conventional price of electricity, equal to the average, for the second quarter of 2022, of the single national price of electricity.
- The **tax credit for companies with electricity meters with an available power equal to or higher than 16.5 kW**, different from "energy-intensive companies", provided article 3 of Law Decree 21/2022, equale to the 12% of the costs incurred for the purchase of the energy component actually used in the second quarter of 2022. The benefit is recognized, in the event of a significant increase in the cost per KWh calculated on the average of the first quarter of 2022, net of taxes and any subsidies, exceeding 30% of the relative average price in the first quarter of 2019.

2. TAX CREDIT FOR USE OF NATURAL GAS:

For enterprises are recognized the following tax credit for the use of natural gas:

- The **tax credit for "gas-intensive companies" relating to the second quarter of 2022**, provided by article 5 of Decree Law no. 17/2022, equal to the 20% of the costs incurred in the second quarter of 2022 for natural gas. This tax credit is aimed to the enterprises engaged in one of the business listed in the attached no.1 Of Ministerial Decree no 541/2021, that in the first quarter of 2022 consumed natural gas for energy uses not less than 15% of the volume of natural gas indicated in Article 3, paragraph 1 of Ministerial Decree 541/2021, net of the consumption of natural gas used in thermoelectric uses. The companies must have incurred an increase of more than 30% in the reference price of natural gas, calculated as the average, referring to the first quarter of 2022, of the reference prices of the Infragional Market published by the Manager of the Energy Market compared to the first quarter of the year 2019.
- The **new tax credit for companies different from "gas-intensive companies"**, provided by article 4 of Law Decree no. 21/2022, equal to the 20% of the costs incurred for the purchases of natural gas, used on the second quarter of 2022. The companies must have recorded a significant increase in the reference price of natural gas, calculated as the average for the first quarter of 2022 of the reference prices published by the Manager of Energy Markets, greater than 30% of the equivalent average price for the first quarter of 2019.

These tax credits may only be used for offsetting purposes, via an F24 form submitted exclusively by the intermediary.

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Reform of Japanese Consumption Tax (JCT) effective October 1, 2023

Currently JCT paid by tax payer as a component of purchase cost, which may be credited against the tax component of sales by the tax payer, may be calculated from sales records and invoices.

However effective October 1, 2023 only invoice with supplier's JCT payer's number registered at tax office printed in the invoice can be subject to JCT credit.

To meet the new rule every tax payer needs to obtain JCT payer's number from tax office by filing an application form with tax office.

Please note there are some exceptions such as for tax payers enjoining JCT exemption.

It takes approximately 3 weeks to obtain the number after filing application form in our experience.

Unfortunately, no English document explaining the new rule is found in the web site of National Tax Agency (NTA) at this moment.

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Free Trade Zones in Paraguay

Free trade zones are privately owned areas within the Paraguayan territory fenced in order to guarantee their isolation from the Customs Territory, where commercial, industrial, goods and services activities are carried out under special tax, customs and foreign trade regulations.

Within this regime, they can be developed separately or jointly:

Commercial activities: Where the goods destined for intermediation do not undergo any type of transformation, such as: deposit, selection, classification, handling, mixing.

Industrial activities: Where the users are engaged in the manufacture of goods for export, through the transformation process, and

Service activities: Repairs and maintenance of equipment and machinery, logistics, technical assistance, scientific research, business administration and consulting, telecommunications services, financial operations, among others.

Free Trade Zones Users.

The Law defines a user as any individual or legal person engaged in any of the aforementioned activities. The user acquires the right to operate in the Free Trade Zone by means of a contract entered into with the Concessionaire and must comply with the legal requirements established for merchants and register in the corresponding National Registries.

Tax incentives for Free Trade Zones.

1. For exclusive export activities abroad: A single tax of 0.5% is levied, with the taxable base being the total value of the gross income, according to the export dispatch.
2. For export activities abroad and sales to the Customs Territory: Income Tax is levied on the percentage of sales of the total income and expenses, provided that they do not exceed 10%. If it exceeds 10% in the same fiscal year, it will be taxed with a reduction of 70% of the applicable base.
3. For export activities from the Customs Territory to a Free Trade Zone: Exports of any kind of goods and services will be carried out as export operations abroad, including all tax, customs and administrative effects.
4. For goods import activities: The introduction of goods into the Free Trade Zones, whether from third countries

or from Customs Territory, shall be exempt from all national, departmental or municipal import taxes.

5. For export or re-export activities: It is exempt from all taxes, whether for export from Free Trade Zones to third countries, to the same Free Trade Zone, to other Free Trade Zones or to the Customs Territory.
6. For activities of introduction of capital goods: It is exempt from all taxes, including goods under lease in the "leasing" modality. They may not be sold, leased or transferred in any way to persons within the Customs Territory, without prior payment of import taxes. However, the sale of the same to the Concessionaires or Users for their use within the Free Trade Zones shall be exempt from all taxes.

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Tax incentives of family companies in Spain

It is estimated that family businesses in Spain represent 89% of all private companies and account for 67% of the jobs generated in the private sector. Because of this, the Spanish legislation foresees certain tax incentives for this kind of business.

DEFINITION

It seems obvious to affirm that a family business is an entity managed and owned by a family unit. However, the legislation requires these companies to fulfil with the following requirements in order to be classified as family business:

- The company cannot be an asset-holding company, which are those whose main purpose is the management of movable or immovable assets. This requirement is particularly relevant, in the case of companies engaged in the real estate business. Depending on the circumstances of the case, the company may or may not qualify as a mere holding company and, consequently, excluded from the tax advantages of the family business regime.
- The participation of the shareholder in the capital of the entity must be at least 5% individually, or 20% jointly with their spouse, ascendants, descendants or collateral relatives to the second degree.
- One of the members of the aforementioned family group must exercise management functions in the company. Furthermore, this position must be the main source of income of the member of the family; this is, they must represent more than 50% of their income.

TAX INCENTIVES

1. Wealth tax:

Wealth tax is levied on the net wealth of individuals, this is, all the assets and rights of economic content owned by them. The management of this tax is delegated to the Autonomous Communities ("Comunidades Autónomas"). Consequently, the tax treatment will depend on the region of residence of the taxpayer.

One of the main tax incentives of a family business is the total exemption from wealth tax of the shares of companies that classify as family business. This exemption is applicable even in those Autonomous Communities where the wealth tax is not 100% tax free (such as Madrid).

2. Inheritance tax:

Inheritance tax is a tax levied on all the assets and rights that comprise a deceased person's inheritance and which is payable by the heirs.

The ownership of a family company can lay the foundations for a future succession in the business with minimal or no tax impact. Thus, in the case of inheritance, the heirs will benefit from a 95% reduction in the taxable base for Inheritance tax.

It is essential to highlight that, even though, the management of this tax is also delegated to the Autonomous Communities, this reduction is established by a state law. Therefore, the regions can only improve the percentage of the reduction and not decrease it.

3. Donation tax:

Donation and Inheritance tax are usually regulated together, and in most cases, the same rules apply to both acts. However, the tax treatment of the transfer of family companies' shares is different when it comes from a donation or from inheritance.

In the event of a donation of shares of a family company to another family member, such donation would not generate any tax impact on the donor's personal income tax and the donee would benefit from a 95% reduction in the tax base.

The application of these tax incentives is subject to the compliance of the following requirements:

- The donor must be 65 years of age or older, unless he is permanently disabled, to the degree of absolute or severe disability.
- If the donor has been exercising management functions, he/she must cease to do so.

Furthermore, in the case of both inheritance and donation, the heirs or donees must keep the received shares for a period of 5 or 10 years, depending on the Autonomous Community. Furthermore, they must continue to comply with the requirements of the regime during that period of time.

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Introduction of Corporate Tax in United Arab Emirates

In the past couple of years UAE has gone through significant changes in the tax system in order to

modernize and to cope up with the international best standards. U.A.E has taken wide steps to enhance the tax transparency long before by introducing various laws. One of them was the Value Added Tax (VAT). The main objectives of the U.A.E CT is that, it will boost UAE's position as world-leading hub for business and investment, accelerating the growth and transformation to achieve its strategic objectives and meeting the international standards for the tax transparency and to prevent harmful tax practices. To enhance with the international standards, introduction of corporate tax will become an effective tool in preventing harmful tax practices. The U.A.E CT regime will become effective for financial years starting on or after June 01, 2023.

According to the law, U.A.E corporate tax will apply to all U.A.E businesses and commercial activities alike, except for the extraction of natural resources, which will remain subject to Emirate level corporate taxation. Corporate tax is a direct tax levied on the net income or profit of the corporate entities and other businesses for trade or business in the U.A.E. CT will not apply for Free zone entities that do not conduct business activities in U.A.E main land. And the most important thing to notice that CT will not apply on individual's salary and other employment income.

Here we go with the UAE Corporate Tax rates:

- 0% for taxable income up to AED 375,000
- 9% for taxable income above AED 375,000 and
- A different tax rate for a large multinationals that meet specific criteria set concerning 'Pillar Two' of the OECD Base Erosion and Profit Shifting project.

Similar to other taxes in U.A.E, businesses that fail to comply with the CT regime will be subject to penalties. Further details on exemptions and exclusions from CT will be released in due course. Only one CT return will need to be filed per financial period.

The main sources of revenue for most of the countries are taxes. Taxes generally helps the Government to generate additional revenue. And it makes the country more systematic, hence it will lead to prevent harmful tax practices. This introduction of competitive CT regime based on globally wide best practices will boost the position of U.A.E as a major hub for investments and operating businesses. This will help to accelerating the growth and transformation to achieve its strategic objectives.

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Inculcation of leadership traits, a key to success

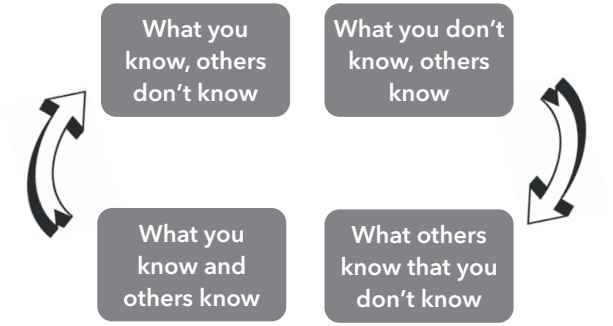
Leadership is a broad field of study and has a huge impact in an individual's life and in a business environment. Being a great leader requires genuine willingness and a true commitment to lead others to achieve a common vision and goals through positive influence. "Everything rises and falls on leadership," ~Dr. John Maxwell. It should be well appreciated that leadership starts and ends with you and therefore one needs to take personal initiative in order to harness from the fruits of good leadership. The ability to understand and apply good leadership traits is therefore vital for a successful and thriving organization.

What needs to be done in your journey to become a good leader?

Self-essence: To become a good leader, one needs to perform self-reflection and introspection that will ultimately enable the assessment of one's strength and weaknesses. Your strengths make you unique and different. Your strength as an individual can be your charisma, courage, and character, being a problem solver, fast learner and having vision.

Your strength as a business could be expertise, superior product, brand name, these should be enhanced. It is important to assess your weaknesses and ultimately turn them into your strength. All these

should be done bearing in mind that when performing introspective reflection, there is a matrix and effort must be made to understand it. This piece of information can be obtained from feedback.



It is therefore important to obtain feedback from your immediate surrounding which includes your colleagues, friends, family, clients and not forgetting your competitors (as a business) to gain an in-depth understanding of your strength and weaknesses.

What businesses need to do?

Employees are essential capital to a business entity and therefore businesses should give equal opportunities to all their staff and appreciate their opinion. This will in turn make them take full responsibility and accountability of their work which will result into enhanced productivity and overall success of the business.

Positive critics instead of criticism should be appreciated because every opinion matters and it can always be modified to fit within the needs.

If you can become the leader you ought to be on the inside, you will be able to become the leader that you want

to be on the outside. "If you are able to do that, you will find there is nothing in this world you cannot do." ~ Dr. John Maxwell.

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Brexit & business: International data transfer Spain (SP) - The United Kingdom (UK)

Every business holding personal data from clients or potential clients must comply with data protection regulations. Below, we explain the current legal landscape in relation to the international data transfer that Spanish resident companies, with UK resident clients or potential clients should be aware of.

Brexit prompted the UK and the European Union (EU) to enter the Trade and Cooperation Agreement (24.12.2020) establishing a six-month period (until 30th of June 2021) during which both parties were able to carry on transferring personal data without any restriction; in the same way as they did before Brexit.

The General Data Protection Regulation 2016/679 (GDPR) regulates the protection of personal data within the EU, sets a mechanism called «adequacy decision», to asses «adequacy» to those countries that, despite not being European members, have in place regulatory standards that, under the Commission's opinion, guarantee adequate protection to data protection and, consequently, allows for the transfer of personal data from the EU to those countries without the need of additional safeguards.

On 28th June 2021, the European Commission adopted an adequacy decision for the UK, allowing the free movement of data for a four-year period from the adoption of the adequacy decision, i.e. until 28th June 2025 and afterwards the EU will start a new process of evaluation of the standards of UK data protection regulation and accordingly, conclude whether or not to renew the «adequacy status» of the UK.

Currently, the UK GDPR regulates data protection in the UK, which content is the same as GDPR, the only difference being the replacement of the referrals that the GDPR makes to EU data protection supervisory bodies with data protection officers in the UK.

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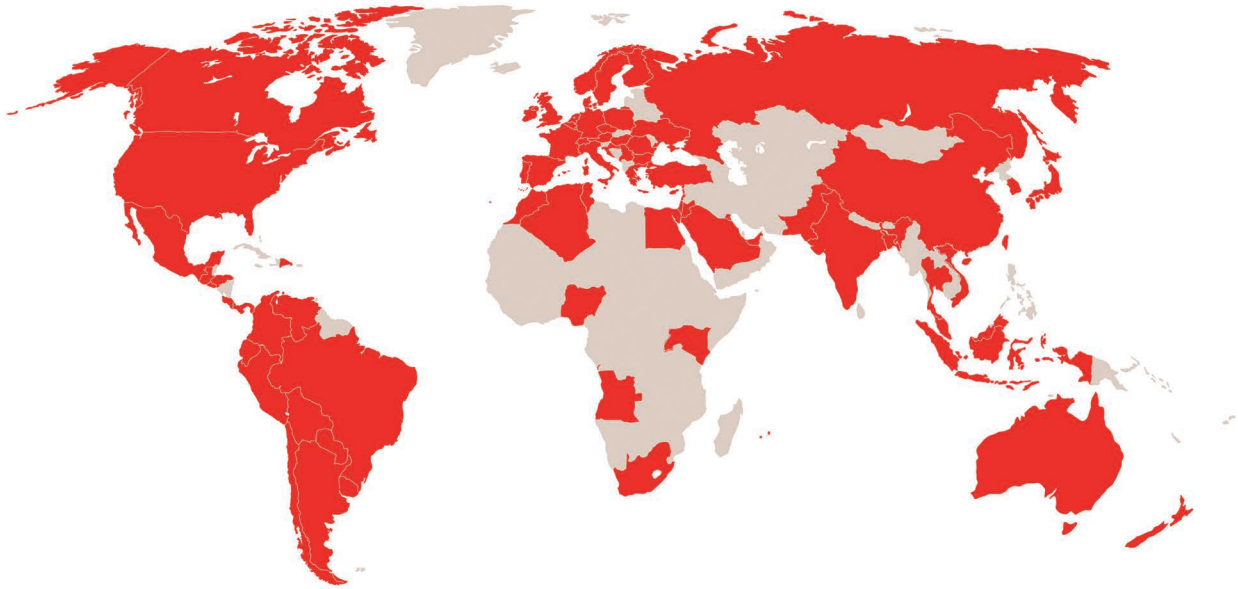

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