Tax responses to the global economic crisis

International Tax

Overview

Countries worldwide are taking steps to counter the effects of the global financial and economic crisis. From a tax and fiscal perspective, the approaches taken thus far range from formal “stimulus” packages, to ad hoc measures, to temporary provisions, to accelerating the introduction of planned measures or alternatively scrapping them altogether. The 2009 budgets/finance acts of a number of countries have served as the platform for many provisions – in some instances, the measures specifically target the economic downturn and, in others, they incidentally mitigate some of the effects of the crisis. It appears that, in some cases, planned measures that have gone into effect were not drafted to address the challenges, but, because of the urgency of the situation, have advanced through the legislative process more expeditiously than they might otherwise have done.

The following provides a high level summary of responses, through tax and fiscal policies, of over 50 countries worldwide to tackle the crisis. The focus is on implemented corporate, individual income and indirect tax measures, other types of fiscal measures and corporate governance, and proposed and deferred measures.

Argentina

The government introduced a special regime that allows taxpayers to repatriate and/or report funds or other assets by paying only a fixed rate on the amount, the rate depending on the amount or assets involved. Additionally, an extended tax amnesty has been granted that includes a reduction in penalties and the elimination of fines. The new rules are effective 1 March 2009 through 31 August 2009.

Australia

The government has both announced and begun to implement a number of measures to address the global financial crisis. The most significant of these measures that are now in force are two large spending stimulus packages, one worth AUD 10.4 billion announced in October 2008 and the other worth AUD 42 billion announced in February 2009. The government also embarked in 2008 on a comprehensive review of the Australian tax system that, while still in early stages, is aimed at improving international competitiveness and global integration, and removing disincentives and complexities from the Australian tax and welfare systems.

Corporate income tax changes

- The government has announced an additional immediate 10% or 30% tax deduction for newly purchased depreciating assets and new expenditure on existing depreciating assets costing more than AUD 1,000 for small businesses and AUD 10,000 for all other businesses, with assets acquired and installed within a certain time frame. When implemented, the change will apply from 13 December 2008.
- In December 2008, the government announced a 20% reduction in the quarterly pay-as-you-go withholding installment of small businesses (less than AUD 2 million in turnover) for the January/February 2009 quarter.

Other fiscal measures/corporate governance

- The October 2008 stimulus package provides for payments to recipients of certain government pensions (AUD 4.8 billion); payments to certain families with children (AUD 3.9 billion); increases to incentives for first-home buyers (AUD 1.5 billion); and funding to create 56,000 new training places in the current financial year (AUD 187 million).
- Under the February 2009 stimulus package, payments will be made to: taxpayers with a taxable income of up to AUD 100,000 for the 2007/08 period (AUD 250-AUD 900, with payments varying according to salary bracket); farmers suffering hardship (AUD 950); certain individuals in the form of a training and learning bonus, plus additional assistance to certain welfare recipients with upfront costs of education and training ((AUD 950); each school-aged child to families in receipt of family benefit payments (AUD 950); and certain single income families with at least one child (AUD 900). Additionally, the maximum face value of Commonwealth government securities (e.g. Treasury bonds) will be increased to raise the government’s borrowing capacity by AUD 50 billion.
- The government also has introduced or announced a number of infrastructure projects, including: rail network (AUD 1.2 billion); accelerated spending on roads (AUD 711 million); community infrastructure (AUD 300 million); AUD 15.1 billion in hospitals, schools and staff training and AUD 1.6 billion in tertiary education institutions; and a 13-year investment in the automotive industry to develop green car technology and create a special purpose vehicle to secure private sector debt funding for the industry.
- The government has announced and begun to implement the purchase of an additional AUD 4 billion worth of residential mortgage-backed securities from non-approved deposit-taking institution lenders and will guarantee particular deposits in certain local financial institutions for the next three years. The guarantee has been in force since its announcement in October 2008.

Austria

Proposed measures

Draft legislation was published in January that includes the following corporate and individual income tax changes:

- Accelerated depreciation will apply on the acquisition cost of tangible fixed assets. As a result, 30% of acquisition/manufacturing costs will be deductible for tax purposes in the year the capital expenditure is incurred. The 30% rate includes the regular annual depreciation of the first year of the asset's useful life. As from the second year, there will be straight-line depreciation based on the useful life. A maximum of 100% of costs can be amortized. Only tangible fixed assets acquired/manufactured during the years 2009 and 2010 qualify for the accelerated depreciation. Excluded are buildings, land, passenger cars, aircraft (except for commercial transportation purposes) and assets acquired from an affiliate.
- A "scrapping" premium of EUR 1,500 will be introduced for private cars that were first registered before 1 January 1996 and will be paid for the first 30,000 cars within the period 1 April through 31 December 2009. The premium will be split by the government and car dealers. Anti-abuse legislation will be associated with this premium.
- Individuals may take a tax deduction for profits re-invested into their business; as from 2010, new buildings and other immovable property will qualify as re-investment.
- The beneficial treatment for stock option plans will be abolished.

Belgium

Indirect tax changes

As part of the economic stimulus plan and to invigorate the real estate sector, the following measures have been adopted (the first three measures are, in principle, temporary):

- The VAT rate for costs incurred on the construction of new private housing is reduced from 21% to 6%.
- The rate applicable to the construction of housing as part of a social policy is reduced from 12% to 6%.
- VAT payments will be deferred for the first three quarters of 2009 for taxpayers facing financial difficulties. No penalties will be imposed for late payments and late payment interest will be substantially reduced.
- The system for monthly refunds of VAT credits applies to all businesses that, due to the nature of their activities, build up monthly VAT credits and the threshold to claim monthly VAT refunds is lowered.

Proposed measures

Measures introduced in the Belgian Parliament but still pending include:

- The government would subsidize some of the interest paid by an individual who obtains (from 1 January 2009 until 31 December 2011) a loan to invest in certain energy-saving measures for a private dwelling, as well as providing an energy-related tax reduction.
- Certain tax deductions could be carried forward for three years following the year of payment.
- The exercise period for option plans concluded between 1 January 2003 and 31 August 2008 could be extended for five years, under certain conditions, without exposure to an additional tax burden.
- The partial exemption on withholding tax for night and shift work would be increased from 10.7% to 15.6% (as of 1 June 2009) and the partial exemption for researchers would be increased to 75% (as from 1 January 2009), in addition to lesser increases in the general exemption for certain other employers.
- A tax credit would be granted (at 21%, up to EUR 147.50 (or EUR 172 for a portable computer)) for the purchase a "pc package" under certain conditions.

Brazil

Corporate income tax changes

- The due dates for the collection of the most important federal taxes have been postponed, providing companies with additional working capital.

Indirect tax changes

- The excise tax on the sale of vehicles has been temporarily reduced (likely until the end of March).

Other fiscal measures/corporate governance

- With some of Brazil's largest financial institutions under government control, authorities are requesting these banks to be more aggressive in providing credit to consumers in certain key industries (e.g. automotive, real estate, durable goods, etc.).

Proposed measures

- The government is seeking to enhance the 2008 Accelerated Growth Plan, whereby investments and expenditures will be made to promote economic growth and increase employment.

Bulgaria

Corporate income tax changes

- A five-year tax corporate income tax holiday for investments in distressed regions (still to be approved by the European Commission) was recently introduced.

Individual income tax changes

- Individual tax relief is granted for young families paying interest on home loans.

Indirect tax changes

- Some administrative VAT relief has been granted (e.g. reverse charge instead of VAT registration and effective payment/refund claims and changes to the grounds for electronic invoicing without an electronic signature).

Canada

Proposed measures

The 2009 Budget includes new spending programs (emphasis on "shovel-ready projects) and tax incentives. The budget proposes the following:

- The pending restrictions on interest deductibility relating to investments in foreign affiliates ("double dips") would be repealed.
- For manufacturing/processing equipment, a 50% straight-line capital cost allowance (CCA) rate will be extended for equipment acquired in 2010 and 2011 (with the half-year rule applying). For eligible new computers and system software used in Canada, acquired after 27 January 2009 and before February 2011, a CCA rate of 100% will apply (with no half-year rule).
- Tariffs on more than 214 items will be eliminated related to machinery and equipment imported from outside North America on or after 28 January 2009.
- More funding would be provided for green energy projects.
- Up to CAD 12 billion would be allocated to purchase term asset-backed securities backed by loans and leases on vehicles and equipment from federally regulated financial institutions and certain provincially regulated financial institutions.

Chile

Measures published in the Official Gazette in January 2009 have established the following tax incentives to address the global financial crisis:

Corporate income tax changes

- First Category Income Tax taxpayers will be able to credit expenses incurred in financing training programs for their employees in Chile. The amount to be credited against compulsory monthly estimated tax payments will be the lower of: training expenses incurred in the month that corresponds to the tax return in which the crediting takes place; 1% of the remuneration subject to social security payments in the month that corresponds to the tax return in which the crediting takes place; or the credit for training expenses available for the previous year divided by 12 or the number of months (if lower) in which the taxpayer performed activities in the commercial year (unless the taxpayer did not use the credit in the previous tax year, in which case the deemed result will be 5% of the monthly estimated tax payments to be paid in the tax return). Any credit surplus can be used in the following months, until December of the commercial year. If a surplus still exists, it can be used against the annual tax return.

Individual income tax changes

- Individuals subject to the Global Complementary Tax will be able to receive an advance refund (up to CLP 250,000 (approximately USD 402)) of their excess estimated tax payments for tax year 2010 in September 2009 provided (1) the taxpayer filed an annual tax return in 2009 for commercial year 2008 and had the right to receive a tax refund; and (2) the taxpayer requested the advance refund electronically before 15 September 2009, pursuant to instructions to be issued by the Chilean tax authorities.
- The 2009 estimated monthly payments will decrease by 15% for taxpayers that in 2008 had gross income of up to 100,000 inflation index-linked units (approximately USD 3,395,182) and

7% for taxpayers whose gross income exceeded 100,000 units.

Indirect tax changes

- Commercial loans (domestic or foreign) granted in 2009 are not subject to stamp tax (which can apply at up to 1.2% of the loan principal) and those granted in the first half of 2010 are subject to only one-half of the otherwise applicable rate.

China

Following the announcement of an investment package valued at CNY 4 trillion (USD 580 billion) in November 2008, the State Council recently approved a series of industry-specific stimulus plans covering such sectors as auto, steel, textile, machinery, ship building, information technology, light industry, petrochemicals and non-ferrous metals. Financial and tax measures have been issued in detail under the policy framework to provide further implementation guidance with some highlights as below. More tax incentives or subsidies are expected to be announced in 2009.

Individual income tax changes

- To stimulate real estate transactions, the deed tax rate applicable to all first-time individual purchasers of ordinary residential property is temporarily reduced to 1% and individual home sellers/purchasers will be exempt from stamp duty and land appreciation tax. Local governments have also offered incentives or subsidies to boost their real estate markets.

Indirect tax changes

- The amended provisional VAT rules that came into effect on 1 January 2009 rolled out a VAT reform on a country-wide basis to establish a consumption-based VAT system that should cut business costs by up to CNY 120 billion. The most fundamental change is that VAT incurred on fixed assets may now be recovered. Also, the VAT collection rate for small-scale taxpayers was reduced from 6% (manufacturing or other business) or 4% (commercial business) to a uniform 3%.
- Four upward adjustments of the export VAT refund rates were announced in 2008, covering such products as mechanical and electrical products, textile and garments, etc., which accounted for more than 50% of the total goods listed under China's tariff system. The latest upward adjustment was announced in February 2009, raising the VAT refund rate for textile products from 14% to 15%.
- Customs announced adjustments to the Prohibited Catalogue and Restricted Catalogue for Processing Trade Relief (PTR) with effect from 1 February 2009. More than 1,700 tariff codes that previously were listed in the Prohibited or Restricted Catalogue for PTR have been removed, with only 500 tariff codes listed in the Restricted Catalogue after the adjustment. The removal, together with a relaxation of deposit requirements on certain PTR businesses announced in November 2008, reduces import tax costs and eases the cash flow burden for PTR enterprises.

Other fiscal measures/corporate governance

- Local governments are providing incentives for specific targets. Shanghai issued a notice granting cash benefits to regional headquarters incorporated in Shanghai. Local governments in Southern China have targeted measures to reward PTR enterprises (which are suffering a decline in export sales) for significantly expanding domestic sales.

Colombia

The government has not put forth a specific tax bill to address the financial crisis, being more inclined to implement (via the Central Bank) decisions related to monetary policy (e.g. a reduction in the interest rate). There is some feeling, however, that the tax bill recently presented to Congress by the National Federation of Colombian Departments (NFCD) is a public policy measure to address the financial crisis. The NFCD proposal seeks to establish a single tax code (rather than national and municipal codes, etc.), thereby standardizing tax collection criteria, modernizing recovery mechanisms and harmonizing fiscal policies. In the same way, the municipal mayors are designing a tax reform that will enable them to increase collection. Taxes under the NFCD proposal are, in general, in the nature of excise, consumption or registration taxes. The municipal measures include proposals to add an environmental tax on the use of water and wood, a surcharge on natural gas and biofuels, the introduction of a cadastral actualization scheme (as currently implemented in Bogota) and taxes on new market forms (e.g. resale of cellular minutes, internet business and catalog sales).

Cyprus

No measures have been announced.

Czech Republic

Corporate income tax changes

- The corporate income tax rate was reduced from 21% to 20% as from 1 January 2009.

Individual income tax changes

- Advance income tax payments for self-employed individuals and companies with up to five employees (as from 1 January 2009) have been cancelled on a temporary basis.
- The rate of health (sickness) insurance for employees and employers is reduced as from 1 January 2009.

Proposed measures

The following measures have been proposed and are in various stages of the legislative process:

- The social insurance rates were reduced for low-income employees.
- Tax depreciation will be calculated on a monthly basis for certain assets (e.g. computers, cars, machines, etc.) acquired between 1 January 2009 and 30 June 2010.
- There will be a change in the tax deductibility of lease payments for selected assets (e.g. computers, cars, machines, etc.) acquired from 1 January 2009 to 30 June 2010.
- There will be faster VAT refunds for taxpayers submitting electronic tax returns.
- The VAT input deduction for passenger cars will be extended.

Denmark

The upcoming tax reform – tax commission report was issued 2 February and the government's proposal (expected in the near future and underway since summer of 2008) - should provide stimulus to the economy, e.g. by lowering personal taxation.

Corporate income tax changes

- The government announced on 20 February 2009 that businesses may postpone the remittance of withholding taxes (PAYE) and VAT by one month due to the credit crisis. This arrangement will apply as from February and be in place for six months. Thereafter, the normal payment deadlines will again apply.

Ecuador

The President of Ecuador recently implemented a number of measures to curb the effects of the international financial crisis. The principal tax changes, which apply as from 1 January 2009, are as follows:

Corporate income tax changes

- Under a temporary rule, interest payments made abroad or lines of credit granted to Ecuadorian entities and permanent establishments of foreign entities between 1 January 2009 and 31 December 2009 will be subject to a 5% withholding tax. During the same period, no withholding tax will be imposed on payments made by Ecuadorian financial institutions registered with the Central Bank of Ecuador as interest on overseas loans or lines of credit with legally established overseas financial institutions. To qualify for the reduced withholding tax or exemption, the lender must not be domiciled in a tax haven or in a jurisdiction with a lower tax rate than the rate applicable in Ecuador and the agreed upon interest rate must not exceed the rate set by the Central Bank on the date the loan was granted or renegotiated. Interest rates exceeding the Central Bank rate will be subject to a 25% withholding tax on the excess interest.
- The overseas remittance tax rate is increased from 0.5% to 1% and exemptions are eliminated.
- A new Overseas Assets Tax has been introduced, which applies to the balance of funds and investments held overseas in private institutions. The tax is imposed monthly at a rate of 0.084% on the average balance of the relevant overseas funds/accounts. The tax applies to available funds and investments held overseas in private institutions regulated by the Superintendency of Banks and Insurance and the Stock Market Inspectorates of the Superintendency of Companies.
- At the request of the taxpayer, the tax authorities may grant a reduction of, or exemption from, the requirement to make an advance payment of tax. In exceptional cases, the President may issue a decree allowing a reduction or exemption of the advance payment. The reduction/exemption may only be authorized once in a tax year.

Estonia

No tax changes have been made in response to the global economic crisis. The government will make a budget cut to address the downturn in the economy so there would be no state budget deficit. Estonia is likely to use state reserves to address the reduction in GDP.

Finland

Individual income tax changes

- The 2009 budget increases and expands the scope of the household credit, and includes measures that were introduced for reasons other than the economic crisis (e.g. lowering the rates of the national income tax table, making an inflation adjustment to the bracket amounts, a new employment income deduction and increasing the pension income allowance).

Indirect tax changes

- The 17% VAT rate on foods is reduced to 12%.

Proposed measures

Finland adopted a stimulus package on 30 January 2009 that focuses on bolstering employment, education and research. Included in the proposals are the following:

- A reduction in social security contributions paid by the employer would apply.
- There would be a doubling of the depreciation rates for new factories and equipment purchased in 2009 and 2010.
- Authorization would be available for up to EUR 50 billion in state bank guarantees.
- An additional EUR 39 million of state funding for R&D is proposed.
- The national pension fund may invest in the commercial paper of Finnish companies, provided such companies are stable and meet certain size requirements.
- For the housing sector, the government will subsidize interest on the construction of rental units and increase state aid for repairs and new housing construction.

France

Corporate income tax changes

As part of a recovery plan announced in December 2008, companies may request an immediate refund of several tax receivables.

- All companies can request the tax administration to reimburse the tax credit for R&D expenses incurred in respect of tax years 2005, 2006 and 2007, and in certain cases, the 2008 tax credit can be immediately reimbursed.
- Companies that close their financial year before 30 September 2009 may request an immediate refund of excess corporate income tax if, based on their quarterly payments, they overpaid the annual tax due.
- Between 1 January 2009 and 31 December 2009, companies are entitled to a refund (instead of the generally applicable tax credit) arising from the carryback of losses.
- Investments made or acquired between 23 October 2008 and 31 December 2009 will benefit from a tax relief from business tax (i.e. they will not be included in the tax base) for the entire term of the investment. Companies whose business tax is already capped can obtain relief equal to 3.5% of the depreciation taken on the relevant assets.
- As from 1 January 2009, qualifying small and medium-sized enterprises (SMEs) may temporarily take into account losses incurred by their foreign branches and subsidiaries in determining taxable income in France. This temporary deduction provides a cash flow advantage for the French company. The losses will be recaptured once the foreign entity returns to profitability or, at the latest, in the fifth fiscal year following the offset.

Individual income tax changes

- The French recovery plan initially put emphasis on investment and companies, but subsequently decided to add measures in favor of household consumption. The president has announced that taxpayers who are subject to the first bracket (income taxable at 5.5%) of the personal income tax progressive schedule will be exempt from paying the two last estimated tax payments (i.e. exemption of 2/3 of the annual income tax).

Indirect tax changes

- VAT refunds for all companies will be monthly rather than quarterly, as from January 2009.
- The annual minimum lump-sum tax will be progressively phased out.

Other fiscal measures/corporate governance

- Restrictions are introduced on the deductibility of golden parachutes (premiums paid to directors as a supplement to statutory redundancy payments) and retirement payments paid to directors of listed companies when their mandate is terminated. Golden parachutes and retirement payments will be deductible for corporate income tax purposes only up to a set amount.

Germany

To combat the credit crunch, a first stimulus package was announced in November 2008 and enacted 29 December, but this was severely criticized for containing too little relief and including too many previously announced provisions. The tax incentives in this package include the reintroduction of the declining balance depreciation at a rate of 25% for movable fixed assets for a two-year period beginning 1 January 2009 and an increase in the threshold amounts for the definition of SMEs, which can rely on a special type of depreciation. A second EUR 50 billion stimulus package was passed by the Upper House 20 February and addresses the shortcomings of the first package. Measures include approximately EUR 9 billion in tax breaks. The tax measures mainly affect individuals, and include: an increase in the tax-free amount, a slight drop in the entry-level tax rate from 15% to 14% and further rate adjustments to compensate for inflation-related tax progression.

Greece

Other fiscal measures/corporate governance

- The government has decided on a stricter position on combating tax avoidance (provided in the EU stability program).

Proposed measures

- The tax-free bracket for entrepreneurs that was abolished in 2008 will be reinstated for income derived in 2009.
- The special duty on the daily room rate in favor of the local municipality would be reduced from 2% to 0.5%.
- The annual real estate duty for hotel enterprises would be reduced from 0.1% to 0.033% for 2009 and 2010 and the minimum duty of EUR 1 per square meter would be abolished.
- For 2009, debts owed by hotels on bank loans, as well as new loans granted to tourism enterprises, would not be subject to the special 0.6% contribution.

Hong Kong

Other fiscal measures/corporate governance

- Even before the budget announcement, the Hong Kong government introduced a number of measures to fend off the global economic crisis including the Financial Secretary announcing two new precautionary measures in October 2008 to further strengthen confidence in Hong Kong's banking system:
  - The use of the exchange fund to guarantee the repayment of all customer deposits held with all authorized institutions in Hong Kong following the principles of the existing deposit protection scheme, but including restricted-licence banks and deposit-taking companies, as well as licensed banks. The guarantee applies to both Hong Kong dollar and foreign currency deposits with authorized institutions in Hong Kong, including those held with Hong Kong branches of overseas institutions. It will cover the amount of deposits in excess of that protected under the deposit protection scheme.
  - The establishment of a contingent bank capital facility for the purpose of making available additional capital to locally incorporated licensed banks, should this become necessary.

Both measures are in effect until the end of 2010, when a decision will be taken on whether they should be extended.

- The Chief Executive announced on 16 January 2009 a number of initiatives that will create about 60,000 jobs in 2009, and the government is pushing forward 10 large infrastructure projects that by completion will create around 250 jobs.

Proposed measures

The 2009/10 Budget contains a broad spectrum of measures aimed at revitalizing the economy by boosting employment, strengthening economic ties in the Pearl River Delta region, promoting technological and creative industries in Hong Kong, and consolidating Hong Kong's status as a financial, business and tourism hub. Proposed measures include the following items.

- A one-off reduction of 50% of Salaries Tax and tax under Personal Assessment (subject to a ceiling of HKD 6,000) would apply for the year of assessment 2008/09.

- A waiver of Rates would be granted for the first two quarters in 2009/10, to be capped at HKD 1,500 per quarter.
- Green initiatives would be promoted by eliminating First Registration Tax for five years and setting aside funds to overhaul buildings to improve their energy efficiency.
- Specific Stamp Duty and Profits Tax related measures would be introduced to cater to the specific characteristics of Islamic finance, a potential development area for Hong Kong, given its status as one of the world's largest financial centers and fund management hubs.

Hungary

Proposed measures

- The government submitted to Parliament on 13 March 2009 a number of tax proposals aimed at increasing Hungary's competitiveness in light of the current crisis. Included are proposals to abolish the 4% solidarity tax on businesses and increase the corporate income tax rate from 16% to 19% as from 1 January 2010. Elimination of the the solidarity tax will result in interest and royalty income being taxed at 9.5% (compared to the current 12% rate with the solidarity tax surcharge). A reduction of the personal income tax on employment is proposed and the VAT rate would increase from 20% to 23%, effective 1 July 2009, to compensate for the revenue shortfall.

Deferred measures

- Reacting to the global financial crisis, Hungary previously withdrew measures to abolish restrictions on interest deductions and an extension of the transfer pricing rules.

Iceland

Other fiscal measures/corporate governance

- The Central Bank published a regulation to maintain restrictions on capital outflows that could have a negative impact on the reconstruction of the foreign exchange market. Restrictions are placed on movement of capital by parties intending to exchange Icelandic krónur for foreign currency and foreign parties are prohibited from purchasing króna-denominated securities in certain circumstances and from issuing securities in Iceland. Domestic parties are prohibited from investing in foreign securities. Exceptions from foreign exchange rules can be sought from the Central Bank of Iceland through an Icelandic financial institution. The restrictions will be lifted once circumstances allow.

India

No specific measures have been announced in respect of corporate and individual direct taxes. However, to provide a stimulus to the economy, the government reduced the rate of the service tax applicable to all categories of taxable services from 12% to 10% with effect from 24 February 2009. With this reduction in the rate, the effective rate of service tax is now 10.3% rather than 12.36%. If any measures are to be announced, they likely will be made in July when the new government is in office.

Indonesia

Corporate income tax changes

- Implemented retroactively as from 1 January 2008, Indonesian listed companies are entitled to a 5% reduction from the highest progressive income tax rate for corporate taxpayers, subject to the following conditions: 40% or more of the total paid-up capital must be publicly held; such public shares must be owned by at least 300 shareholders each owning less than 5% of the total paid-up capital; and the preceding conditions must be satisfied and sustained for at least six months within one fiscal year.

Individual income tax changes

- The occupational and retirement allowances are increased as a deduction to the gross income of permanent employees or retirees.
- Effective 12 January 2009, income derived from employment in a foreign country for more than 183 days within a 12-month period is not subject to Indonesian income tax, provided it has been taxed by the host country.
- As from 1 January 2009, an exemption to the fiscal (exit) tax applies to domestic individual taxpayers traveling to overseas locations who have obtained a tax ID number (offset by an increase in the tax for those failing to register).
- Taxpayers may reduce their monthly income tax installments by up to 25% for the months January through June 2009.

Proposed measures

- The legislature approved on 24 February 2009 a stimulus package of IDR 73.3 trillion to support, inter alia, funding infrastructure projects, providing some subsidies and, for certain industries, providing tax breaks on employee income taxes, import duty and VAT costs.

Ireland

Corporate income tax changes

Key measures introduced in the Finance (No. 2) Act 2008 that may assist the country in weathering current business conditions include the following items.

- An exemption is provided from corporation tax on income and gains up to specific limits for certain start-up companies where the new trade commences in 2009.
- A deduction applies for acquired "know-how" in certain circumstances.
- The R&D tax credit is increased from 20% to 25% for periods commencing after 1 January 2009. The base year for calculating the incremental qualifying expenditure has also been fixed at 2003 for all years. Carryback to the previous period is provided and companies have the option to carry back unused tax credits for set-off against corporation tax paid in the previous year, with any remaining unused credit to be refunded in cash repayments over a three-year period.
- The Act establishes the favorable taxation of the share of profits received by a partnership or company as managers of venture funds for "relevant investments." The provision was included in the Act in conjunction with plans to establish a series of venture capital funds worth a total of EUR 500 million in a bid to attract innovative industries and boost R&D activity.
- Large companies, i.e. companies with a liability exceeding EUR 200,000 in their previous accounting year, will pay corporation tax earlier.

Individual income tax changes

- An income levy has been introduced with effect from 1 January 2009 (1% on the first EUR 100,100, 2% on the next EUR 150,020, and 3% on aggregate income in excess of EUR 250,120).
- An increase in the mortgage interest relief applies for first-time buyers.
- Changes were made to the residence rule.
- A form of remittance-based taxation applies for foreign employments where the employees perform all or part of their duties in Ireland.

Indirect tax changes

- The Finance (No. 2) Act 2008 increased the standard VAT rate from 21% to 21.5%; reduced the top stamp duty rate from 9% to 6% (i.e. on consideration in excess of EUR 80,000) for nonresidential property; and increased the capital gains tax and capital acquisitions tax from 20% to 22%.

Italy

Corporate income tax changes

The government approved a decree in January 2009 that addresses the financial crisis, the main features of which are as follows:

- It introduces the possibility to revalue (or step up) the book value of real estate assets either for book purposes only or for tax purposes as well; and
- It makes it possible to realign the additional book value attributed to trademarks, goodwill and other intangible assets in certain cases and reduce the amortization period of such assets by paying a substitute tax.

Another decree issued in February has gone into effect, even though it is still subject to Parliamentary approval. Under that decree, with effect from the tax year in progress as at 31 December 2008, a flat amount of 10% of the IRAP (regional tax on productive activities) charge is deductible from taxable income for corporate income tax purposes.

Individual income tax changes

- A decree issued in November (discussed above) provides that compensation paid in 2009 for overtime work and for work related to increases in productivity is subject to a 10% tax up to EUR 6,000 gross. The tax is applied by the employer to employees who did not earn more than EUR 35,000 in 2008.

Japan

Corporate income tax changes

- Japan is re-instating the net operating loss carryback for one year for small and medium-size enterprises (capital of JPY 100 million or less) for accounting periods ended on or after 1 February 2009.

Personal income tax changes

- The Diet approved JPY 2 trillion in cash payments (to be treated as nontaxable income) to individuals eligible on 1 February 2009, who are Japanese nationals registered as residents of Japan, or foreign nationals registered as foreign residents of Japan (unless on a short-term visa or in Japan illegally). Under the eligibility criteria, Japanese nationals on assignment outside Japan would not be eligible unless they remain residents of Japan. The cash amounts are JPY 20,000 per person for individuals 18 years old or younger or 65 years old or older on 1 February 2009. All other eligible individuals would receive JPY 12,000 per person. Eligible individuals must follow an application process, which should be implemented by 31 March 2009, with the application deadline six months after the implementation date.

Kazakhstan

A moratorium on tax audits of small and medium-size businesses generally is in effect from 17 February 2009 until 1 July 2009 (except in certain instances, i.e. criminal acts, etc.).

Korea

Corporate income tax changes

- The Korean National Tax Service (NTS) announced that it will postpone tax audits on job-creating companies (regardless of the size of the business) and job-sharing small and medium-size companies, and the NTS plans to support companies suffering financial difficulties by extending the due date for tax payment, postponing tax collection, granting early tax refunds, etc.
- Under changes made to the TILL on 2 March 2009, small and medium-sized companies (SMCs) participating in a "job sharing" program, which reduces the salaries of existing employees and uses those savings to maintain jobs, are allowed to take a tax deduction equal to 50% of the reduced salaries.

Proposed measures

- The government has also announced that it is considering various tax incentive measures for the voluntary and effective restructuring of companies to deal with the global crisis and business conditions. Details of such measures have not yet been announced.
- Separately, on 26 February 2009, the Ministry of Strategy and Finance (MOSF) announced proposed measures to encourage capital inflows, to include: exempting from withholding tax interest and capital gains from domestic government bonds and sovereign or monetary stabilization bonds; and waiving the current law requirement that remittances from abroad of over USD 10,000 be reported to the NTS.
- As part of the 26 February 2009 announcement, the MOSF also proposed granting ethnic Koreans living abroad the same tax benefits on certain investments that domestic residents receive, to include: an exemption from capital gains tax on certain unsold residential real property if the property is sold within five years; an exemption on dividends up to KRW 100 million from investments in certain undersubscribed closed-end funds; and a reduction in the withholding tax rate (from 20% to 5%) on long-term investments through specified offshore funds and other investment vehicles.

MOSF announced further proposals 16 March 2009 to be submitted to the National Assembly in April 2009. Major provisions are as follows.

- A troubled firm that sells its assets to pay debts to financial institutions would be allowed to pay tax on capital gains in installments over three years after a three-year grace period.
- Major shareholders (corporate or individual) of a troubled firm that donate their assets to help the firm pay corporate debt would be allowed to take a tax deduction for the amount donated, and the troubled firm would be allowed to pay corporate income tax on the donation income in installments over three years after a three-year grace period.
- Capital gains derived by major shareholders (corporate or individual) that sell their assets and use the sales proceeds to improve the financial condition of troubled subsidiaries would be exempt from corporate income tax and/or individual capital gains tax.
- Where a troubled firm cancels or reduces disproportionately the shares donated by major shareholders to improve the corporate ownership structure, the major shareholders would be allowed to take a tax deduction for the amount of the donated shares, and the troubled firm would be permitted to pay corporate income tax on the donation income in installments over three years after a three-year grace period.
- A parent company that assumes the debt of its troubled subsidiary and makes the subsidiary a "clean" company would be allowed to deduct the amount of the assumed debt, and the subsidiary would be permitted to pay income tax on the debt forgiveness income in installments over three years after a three-year grace period.
- When a company acquires all of the shares of a controlling shareholder of a company under a corporate restructuring plan and pays the

consideration to the controlling shareholder with its treasury stock, the income tax on the capital gains of the controlling shareholder would be deferred until the sale or disposition of the acquiring company's stock, and an exemption would be granted for the securities transaction tax on the share exchange transaction.

- Tax benefits for the already announced KRW 20 trillion "bank recapitalization fund" would be as follows: where income arises in a joint stock company type fund, income recognition would be deferred for five years by setting up a loss reserve account; an exemption from the securities transaction tax would be available where a joint stock company type fund sells the preferred shares; and an exemption from withholding tax would apply to bond interest paid to both types of fund.
- To revitalize the real estate market, the 30% capital gains surtax on the transfer of non-business purpose land would be abolished. According to the proposals, capital gains derived from the transfer of non-business purpose land would be taxed only at the regular corporate income tax rate (12.1%/24.2% for FY 2009 and 11%/22% for FY 2010 onwards, including the 10% resident surtax), without the additional 30% capital gains surtax. This measure would apply to non-business purpose land transferred on or after 16 March 2009.
- The TILL currently provides for a temporary investment tax credit equal to 10% of the amount of an investment in equipment (3% for investments in the Seoul Metropolitan area). According to the proposals, new investment amounts that exceed the average investment over the last three years also would be eligible for the 10% investment tax credit. In addition, the scope of businesses eligible for the credit would be expanded to include business service industries, such as automobile and communications equipment repair, advertising, cleaning, etc.
- Employees of SMCs participating in the job sharing program also would receive tax benefits discussed under "Corporate income tax changes," i.e. a 50% tax deduction on their decreased salary - up to KRW 10 million for 2009 and 2010.

Latvia

Corporate income tax changes

A series of amendments to the Corporate Income Tax Law became effective on 1 January 2009, the main purpose of which is to both encourage Latvian companies to accumulate retained earnings and attract investment in new manufacturing equipment.

- A "notional" interest expense deduction is granted (the real financial effect of which will first be felt in 2011).
- The special tax depreciation regime for new manufacturing equipment was extended to 2013.
- An option is given to reduce taxable income derived from the sale of fixed assets if "similar" fixed assets are acquired within a 12-month period before or after the sale.
- The loss carryforward period will be gradually increased from five to eight years. During a transition period, it will be possible to reduce the taxable income of FY 2008 by the amount of losses incurred in the previous six tax periods, and in 2009 for losses incurred in the previous seven tax periods.

Lithuania

Indirect tax changes

- The VAT rate was increased from 18% to 19% as from 1 January 2009 and some excise duties were increased.

Luxembourg

Corporate income tax changes

Recently enacted measures, while passed for the primary purpose of increasing Luxembourg's competitiveness, are expected to assist the country's economy during the current global crisis. Corporate tax measures are applicable as from January 2009, SICAR measures (a regulated onshore vehicle for private equity/venture capital investments) as from October 2008.

- The corporate income tax rate is reduced from 22% to 21%.
- The capital duty is abolished.
- The withholding tax on dividends is reduced to 0% for distributions made by a Luxembourg entity to a parent company located in a tax treaty country if conditions similar to those in the Luxembourg participation exemption are satisfied.
- The intellectual property regime is expanded and a net wealth tax exemption granted for qualifying IP assets.
- The existing tax relief for hiring unemployed individuals is renewed until 2011, but at an increased rate of 15%.
- Several measures have been introduced to enhance the SICAR regime.

Individual income tax changes

The individual income tax measures apply as from January 2009, with the following key changes:

- Tax brackets were increased by 9% (i.e. no tax levied up to EUR 11,265 and a marginal 38% tax rate for the bracket exceeding EUR 39,885).
- A withholding tax exemption applies on credit interest paid out by Luxembourg home savings and loan scheme institutions under the condition that savings are allocated to the financing of the construction, purchase or conversion of the taxpayer's private residence.

Malta

No measures have been announced.

Mauritius

The Ministry of Finance unveiled a stimulus package in December 2008 that covers most sectors of the economy. Amounting to an additional stimulus of some MUR 10.4 billion (USD 329.1 million, approximately 3% of GDP), the package is expected to unlock an extra 1% to 1.5% annual growth. The monetary and fiscal provisions of the package, some of which have already been implemented, are detailed below.

Corporate income tax changes

- Land transfer tax will be allowed as a deduction for income tax purposes.
- The transitional provision for the income tax exemption for freeport operators due to expire on 30 June 2009 will be extended by an additional two years.

Indirect tax changes

- Between 1 January 2009 and 31 December 2010, hotels will pay the Environment Protection Fee of 0.75% on turnover only if they show a profit at the end of their financial year. In addition, payment of the fee will be effected at the end of the financial year rather than monthly.
- The Solidarity Levy, payable at a rate of 0.85% on turnover, will be suspended from 1 January 2009 to 31 December 2010.
- To aid the construction industry, duty on iron bars in coils imported by registered contractors will be reduced from 15% to 7.5% from 1 January 2009.
- Further aiding construction, the land transfer tax and registration duty will be suspended between 1 January 2009 and 31 December 2010 for approved projects undertaken by developers to be registered with the Mauritius Revenue Authority in respect of land for a development project, provided at least MUR 50 million of construction work is completed before June 2011. This measure will not apply to Integrated Resort Scheme projects.

Other fiscal measures/corporate governance

- Banks will provide financing for restructuring the balance sheet of firms, including the injection of additional liquidity when required. The additional financing will be provided at a concessionary rate not exceeding the savings rate, currently about 5.5%. The Bank of Mauritius will, if necessary, relax the rules relating to impaired assets for these targeted firms for the crisis period.
- The government will either match the additional financing provided by the banks and shareholders in the form of redeemable and convertible preference shares remunerated at 5% annually, or provide a guarantee for 50% of the additional financing given by the banks.
- The Bank of Mauritius will lower its required reserve ratio by another percentage point, from 5% to 4%, in stages. This should eventually inject another MUR 2.5 billion into the banking system. The liquidity released should contribute to the operation of the special lending facility.
- For asset-rich but cash-poor enterprises in the manufacturing and tourism sectors, the government is creating a special purpose vehicle to acquire and hold assets in those enterprises. This sale-and-leaseback mechanism will enable them to make use of their assets to raise finance. These enterprises will be given the opportunity to buy back their assets in the future. The government is launching the scheme with an injection of MUR 500 million for this purpose.

Netherlands

Corporate income tax changes

The government introduced the following measures:

- The corporate income tax rate for the first EUR 200,000 of profit is lowered from 23% to 20% for 2009 and 2010.
- Funds budgeted for the "interest box" regime" were not used, so it was decided to re-invest the savings into the economy by retroactively reducing the 2008 corporate income tax rate for the first EUR 275,000 of profit from 23% to 20%.

- Under a temporary tax relief measure for 2009 investments in capital assets, investments made in 2009 can be freely amortized in two years (at any percentage provided the rate does not exceed 50% per year), regardless of the assets' useful life and any residual value.

Other fiscal measures/corporate governance

- Restrictions are imposed on executive compensation – an additional levy will be imposed on the employer.
- To assist companies during the current financial crisis and prevent layoffs, the Dutch government will reimburse companies forced to temporarily reduce employee working hours. Specified criteria must be met to qualify for the reimbursement.

Deferred measures

- The government withdrew a planned increase of the standard VAT rate from 19% to 20%.

New Zealand

Individual income tax changes

- In addition to personal tax cuts that took effect from 1 October 2008, the government enacted a three-year program of personal tax cuts starting on 1 April 2009 that changes personal tax income rates and thresholds and introduces a new independent earner tax credit.

Other fiscal measures/corporate governance

- Nontax measures enacted include the introduction of a retail deposit and wholesale funding guarantee scheme designed to maintain liquidity of the financial system, as well as a "ReStart" package to provide extra support to those hit hard by redundancy.
- The government also recently announced that it will fast-track a series of building and infrastructure projects to keep more New Zealanders working.

Proposed measures

A range of initiatives to "lighten the load" on small to medium-sized businesses was announced on 4 February 2009. Included are non-tax measures such as assistance with short-term credit insurance on export contracts, counseling for business and requiring government departments to pay invoices in accordance with posted terms and conditions so that New Zealand businesses are paid without delay. The tax initiatives have been designed primarily to help businesses' cash flow and reduce compliance costs. Specific tax measures contained in the Taxation (Business Tax Measures) Bill are set out below.

- The standard method of calculating provisional tax is to be adjusted by reducing the formula for remaining tax payments that fall due on or after 1 April 2009.
- The use-of-money interest rate on underpayments will decrease from 14.24% to 9.73% and the rate for overpayments will reduce from 6.66% to 4.23%, both from 1 March 2009.
- Currently, employers that make annual PAYE and employer superannuation contribution deductions of NZD 100,000 or more are required to file and pay PAYE twice per month. This threshold is to be increased to NZD 500,000, meaning more businesses will be able to file only once on the 20th of the following month. The rules will apply from 1 April 2009 to an estimated 15,000 businesses.
- For the fringe benefit tax (FBT), the same employers that qualify for monthly PAYE filing will also be able to move to annual FBT filing instead of quarterly. Separately, all employers will benefit from an increase in the value of minor unclassified benefits that can be provided to employees without attracting FBT. Finally, the FBT-prescribed rate of interest that applies where an employer has provided a low interest loan to an employee has reduced from 10.9% to 8.05%, with effect from the quarter beginning 1 January 2009.
- Those businesses or sole traders that are currently registered and that make taxable supplies of less than NZD 60,000 will be able to deregister from Goods and Services Tax (GST) if they wish from 1 April 2009. Also, taxpayers whose total value of taxable supplies does not exceed NZD 2 million in a 12-month period will be able to account for GST on a payments (i.e. cash) basis from 1 April 2009. This threshold has been increased from NZD 1.3 million.
- The rules concerning the deductibility of legal expenditure and accrual expenditure are to be simplified to help reduce tax return compliance costs.

Norway

Corporate income tax changes

- A limited loss carryback applies for company losses incurred in 2008 and 2009 and applies to both Norwegian and non-Norwegian corporations (provided the latter has a taxable presence in

Norway). Accordingly, 28% (the Norwegian corporate tax rate) of tax losses of up to NOK 20 million for 2008 and 2009 may be refunded to the extent the losses do not exceed taxable profits for the two preceding years (i.e. 2006 and 2007, with respect to 2008 losses, and 2007 and 2008, with respect to 2009 losses).

- An additional depreciation allowance of 10% for machinery, cars, etc., acquired in 2009 applies in addition to the ordinary depreciation allowance of 20%.
- The maximum basis for R&D tax credits was increased from NOK 4 million to NOK 5.5 million for projects not undertaken by a research institution (but where the project is approved by the Research Council of Norway), and from NOK 8 million to NOK 11 million for R&D projects undertaken by a research institution approved by the Council.

Philippines

The President has directed various government agencies to hasten the implementation of the PHP 330 billion stimulus package, which is designed to upgrade the Philippine's infrastructure, provide social safety nets and ensure sustainable growth in light of the global economic crisis. Before the financial crisis, however, the government had made changes to reduce tax rates and increase the net take-home pay of individuals.

Corporate income tax changes

- The corporate income tax rate is reduced from 35% to 30% as effective 1 January 2009.
- Domestic and resident foreign corporations may elect a standard deduction in an amount not exceeding 40% of gross income.

Individual income tax changes

- Minimum wage employment income earned by individuals in both the private and public sectors is exempt from income tax.
- Personal and additional exemptions applicable for calendar year 2008 are as follows:
  - For the period from 1 January to 5 July 2008, single taxpayers are entitled to PHP 10,000; head of the family, PHP 12,500; each married individual, PHP 16,000; and each qualified dependent child, not exceeding four children, PHP 4,000 computed on a pro rata basis of the full-year exemptions under the old law; and
  - For the period from 6 July to 31 December 2008, the prorated personal exemption is PHP 25,000, regardless of status, and PHP 12,500 for each dependent child, not exceeding four children, as additional exemptions.
- Beginning in 2009, individual taxpayers are entitled to a PHP 50,000 personal exemption regardless of status. An individual, whether single or married, is granted an additional exemption of PHP 25,000 for each qualified dependent child, provided the total number of dependents for which additional exemptions may be claimed does not exceed four.
- The optional standard deduction for individuals engaged in business and/or the practice of a profession is increased (from 10%) to an amount not exceeding 40% of gross income.

Portugal

Proposed measures

The government has submitted a Supplementary Budget Law proposal to Parliament that, once approved, would enter into force on most measures as from 1 January 2009.

- The minimum amount of the special advance corporate income tax payment would be reduced to EUR 1,000.
- The minimum amount required for claiming a VAT refund would be reduced from approximately EUR 11,000 to EUR 3,000. Additionally, the government would be authorized to introduce legislation establishing the application of the VAT reverse charge mechanism to acquisitions of goods and services made within the scope of public contracts with a value of no less than EUR 5,000, provided the acquirer is the Portuguese state or another public entity.
- The base rate and the maximum limit of the incremental tax rate that are used for calculating the tax credit available under the incentive regime applicable to R&D (SIFIDE) would be modified as follows: a base rate of 32.5% (up from 20%) of expenditure incurred; and an incremental rate of 50% of the amount of expenditure incurred that exceeds the average of the expenditure incurred in the two previous years, with a ceiling of EUR 1.5 million (currently EUR 750,000). The SIFIDE measures are foreseen as applying to costs incurred in the fiscal period starting as of 1 January 2009.
- A new incentive regime (RFAI) would be applicable to investments made in 2009 in certain sectors such as farming, forestry, mining and most manufacturing industries. The regime will correspond to a tax credit against the 2009 corporate income tax liability up to a limit of 25% of the tax payable when the investment is made in

qualified areas, subject to certain limits (i.e. 20% of the qualifying investment up to a maximum amount of EUR 5 million and 10% of the qualifying investment, for investments exceeding the above EUR 5 million ceiling). Excess credits could be rolled over for four tax years.

- The proposal includes exemptions with regard to the municipal property tax (up to five years) and the municipal property transfer tax and stamp tax on the acquisition of immovable property qualifying as a relevant investment.

Poland

No measures have been announced.

Romania

Corporate income tax changes

The following tax measures have been taken to address the global financial crisis:

- Beginning in 2009, dividends are exempt from the tax on dividends if distributed and reinvested in the distributing company's own activity, or in the share capital of another Romanian legal entity, for the purpose of securing and creating new jobs.
- Also starting 2009, an additional 20% deduction is applicable for qualifying R&D expenses, and accelerated depreciation applies to equipment used for R&D activities.

Individual income tax changes

- As from1 January 2009, interest income derived from term deposits and/or other saving instruments are deemed nontaxable income when derived by individuals. If such individuals are resident in non-EU member states, such income is exempt from withholding tax in Romania.

Russia

As from 1 January 2009, remuneration and other payments made to members of the board of directors are not deductible for income tax purposes under changes passed in July 2008 (remuneration previously was deductible provided the board members have a labor contract with the entity).

The government passed anti-crisis tax measures (below) in November/December 2008, resulting in an estimated tax burden decrease of RUB 550 billion in 2009. The measures are generally effective 1 January 2009 (except for provisions that were passed retroactive for 2008).

Corporate income tax changes

- The corporate income tax rate is reduced from 24% to 20% (by a reduction, from 6.5% to 2%, in the amount of tax going to the federal budget).
- As a result of the financial crisis interest rates have increased dramatically. Previously, taxpayers could deduct interest expenses only to the extent the interest rate did not exceed the Central Bank of Russia's refinancing rate multiplied by 1.1. This factor was temporarily increased during the 2009 taxable year to 1.5 (expiring 31 December 2009). Thus, the maximum rate currently deductible is 19.5% for loans denominated in rubles and 22% for loans denominated in foreign currency. All other deductibility requirements must still be met.
- The 0% tax rate set to expire in 2008 applicable to the sale of goods by producers of agricultural products was extended until 2012.
- Local regions are authorized to decrease the tax rate under the simplified taxation system from the 15% rate to a 5% rate, depending on the type of business activity.
- The Minister of Finance is authorized to defer federal tax payments for a period up to five years (or authorize installment payments) if the amount of indebtedness exceeds RUB 10 billion and a one-time repayment of such indebtedness increases the risk of negative economic consequences for the company. Such decisions can be made before 1 January 2010.

Individual income tax changes

- The tax deduction for individuals who purchase or build new housing within the Russian Federation was doubled (up to RUB 2 million).

Indirect tax changes

- The VAT accrual procedure for advance payments was changed to accelerate the refund of VAT in export transactions. From 1 January 2009 suppliers of goods who receive contractual advance payments are required to issue VAT invoices to their customers. Based on such invoices, customers are entitled to offset VAT.
- Exporters whose goods were placed under the export customs regime, free customs zone or international customs transit regime between 1 January 2008 and 31 December 2009 were granted additional time to certify their right to use the 0% VAT rate, now having 90 working days in addition to 180 calendar days to claim their right.

- No VAT will be due on the import of certain manufacturing ("technological") equipment (including spare parts) if similar equipment is not produced in Russia (as will be determined by a government approved list).

Serbia

Individual income tax changes

- A temporary tax exemption is granted until 31 December 2009 for the following types of income derived by individuals: (1) income from capital, i.e. income from interest on foreign exchange savings and other deposits; (2) capital gains derived from the transfer of shares in legal entities; and (3) income from agriculture and forestry.

Singapore

The Singapore government has taken bold moves to attempt to reduce, at least temporarily, the costs of doing business in Singapore by addressing two major business costs in Singapore – wages and rental costs. The "Resilience Package" announced in the 2009 Budget Statement aims to preserve jobs and help companies stay afloat during the recession and to prepare Singapore to emerge with strength when the global economy recovers.

Proposed measures

Below are some of the proposed tax measures in the 2009 Budget to assist taxpayers in the economic downturn:

Corporate income tax changes

- The corporate tax rate would be reduced from 18% to 17% with effect from Year of Assessment (YA) 2010 (i.e. financial year ended/ ending in 2009).
- The conditions currently required for a tax exemption for foreign-source dividends, foreign branch profits and foreign services income would be temporarily lifted and all foreign income remitted to Singapore would be temporarily exempt from tax. Hence, with effect from 22 January 2009, resident non-individuals and resident partners of partnerships in Singapore would be exempt from tax on the remittance of all their foreign-source income earned/ accrued outside Singapore on or before 21 January 2009, provided they remit such income to Singapore between 22 January 2009 and 21 January 2010 (both dates inclusive). This should enable businesses to tap into their previously unremitted overseas income to fund the liquidity requirements of their Singapore operations without incurring a tax cost in Singapore on the remittance.
- The capital allowance on capital expenditure incurred on the provision of plant and machinery for the purposes of a trade, business or profession during the basis periods for YAs 2010 and 2011 would be allowed to be claimed over a two-year period, with 75% of the cost written off in first year of claim and the remaining 25% written off in the second year.
- To encourage businesses to refit their business premises, businesses would be able to deduct expenditure incurred on qualifying renovation and refurbishment in YAs 2010 and 2011 in one year rather than over three years (subject to the current cap of SGD 150,000 for every three consecutive basis periods for each business entity).
- The loss carryback threshold would be increased from SGD 100,000 to SGD 200,000 and carryback for up to three immediate preceding YAs instead of the current immediately preceding year would be allowed. This should provide immediate cash flow help to companies that have good preceding financial years but have made/would be making losses in YAs 2009 and 2010.
- The tax deduction would be increased from 200% to 250% for donations made during 1 January 2009 to 31 December 2009 to Institutions of Public Character and other approved institutions.
- The Inland Revenue Authority of Singapore (IRAS) has issued a proposed tax framework for corporate amalgamations to make it easier for companies to restructure and rationalize in an amalgamation and minimize the tax consequences for public consultation.

Personal income tax changes

- To help ease the cash burden of tax resident individuals who lost their jobs in 2008 or 2009, such individuals would be able to pay their personal income taxes for YA 2009 in monthly installments of up to 24 months. In addition, IRAS has provided an option, to be exercised by 15 March 2009, to resident individuals to defer their income tax installment payments for YA 2009. If a resident individual exercises this option, he/she will commence the installment payments from August 2009 instead of May 2009, with the last installment payment remaining unchanged at April 2010.

Indirect tax changes

- Goods and Services Tax (GST) registration and the recovery of input GST would be allowed for qualifying funds.

- Several changes have been proposed to ease the GST compliance burden and improve the cash flow of GST-registered businesses operating in the aerospace industry, including the expansion of the scope for GST zero-rating and a new special import relief scheme.
- Other changes announced in the 2009 Budget include the suspension of GST and duty on goods temporarily removed from zero-GST or licensed warehouses for auctions and exhibitions and the exemption of GST and customs duty for a specified quantity of wine for approved wine exhibitions and conference events.

Other fiscal measures/corporate governance

- To sustain jobs for Singaporeans, a one-year jobs credit scheme has been proposed for 2009, under which an employer will receive a cash grant amounting to 12% of the first SGD 2,500 of each month's wages for each employee on the Central Provident Fund payroll of the employer. This is a significant measure to reduce wage costs and assist employers preserve jobs in the downturn.
- A 40% property tax rebate would be provided for commercial and industrial property for 2009. In addition, the proposal to defer property tax for land approved for development would help to ease the cash flow of property developers.

Slovakia

Corporate income tax changes

Recent amendments to Slovakia's Income Tax Act (effective from 1 March 2009) were not introduced specifically to address the financial crisis, but they may have some ancillary effects:

- The input price of tangible assets and technical improvements on tangible and intangible assets is increased to EUR 1,700 and that for intangible items increased to EUR 2,400.
- For depreciation of tangible assets, "component depreciation" allow taxpayers to depreciate certain identified individual separable parts (for buildings, computer network infrastructure, personal and cargo elevators, escalators, etc.)

Indirect tax changes

- Recent changes to the VAT law (effective 1 April 2009) were not introduced specifically to address the financial crisis, but they may have some ancillary effects. Included in the changes is the ability to obtain a VAT refund within 30 days (rather than 60) if specific conditions are satisfied, and the ability of lessors to recover input VAT incurred in connection with real estate is extended to nonresident lessors that are taxable persons.

Slovenia

Proposed measures

- The government is planning to shorten the time to receive a VAT refund from the current 60 or 30 days to 21 days. The new rule should come in force as from 1 July 2009. The aim of this measure is to some extent mitigate the liquidity crunch facing Slovenian businesses.

South Africa

While no specific measures have been announced to address the global economic crisis, the 2009 Budget contains a proposal to defer the implementation date of the Mineral and Petroleum Resource Royalty Act from 1 May 2009 to 1 March 2010, resulting in a savings of SAR 1.8 billion for mining companies because they will not have to begin paying the royalties provided for in the Act until next year. The Budget also includes some cuts in individual income tax rates.

Spain

Corporate income tax changes

Amended tax legislation passed at the end of 2008 (and generally applicable as from 1 January 2008) is anticipated to produce stimulus effects:

- The R&D/Technology Innovation tax credit restriction that activity be undertaken in Spain has been broadened to cover expenses from activities within the EU/EEA.
- Fixed assets and real estate acquired (including assets acquired through leasing) during 2009 and 2010 may be fully depreciated in their year of acquisition provided the taxpayer maintains the average number of employees in both the acquisition and following year.
- The participation exemption will apply on dividends and capital gains from EU subsidiaries located in tax havens if it can be proven that the entity carries out business activities and the location for its incorporation and operation derives from economic reasons (similarly, portfolio depreciation may be deducted if such criteria are met).

Individual income tax changes

- The wealth tax applicable to individuals was abolished (by way of a 100% tax remittance) as from 1 January 2008.

Indirect tax changes

- As from 1 January 2009, VAT refunds may be obtained monthly rather than annually.

Proposed measures

- The government is drafting regulations that will create real estate investment trusts as vehicles for investing in Spanish real estate. Benefits will include an exemption from corporate income tax if certain requirements are met.

Sweden

Corporate income tax changes

- The 2009 budget includes a number of tax law changes designed to mitigate the effects of the downturn. Included are a reduction in the corporate income tax rate to 26.3% and a reduction of the tax rate for social security contributions to 31.42% for the employed and 29.71% for the self-employed. These changes apply as from 1 January 2009.

Individual income tax changes

- The third phase of the Swedish employment deduction regime (introduced in 2007) has been implemented. Under this regime, tax relief for individuals is achieved by a tax reduction of taxable employment income. The available deduction has been further increased as from 1 January 2009.

Proposed measures

Several measures are proposed that would affect both companies and individuals:

- Employers would be allowed to pay preliminary taxes and social security contributions for their employees (maximum of two months) to reduce liquidity problems for companies that have not been granted loans due to the financial crisis. If approved by Parliament, the proposed rules will apply for salaries paid as from February 2009. The proposed entry into force date is 1 March 2009.
- A new deduction would be granted to individuals for certain work carried out in a residence, e.g. costs related to repairs, maintenance and rebuilding, etc. If approved by Parliament, the measure should enter into force on 1 July 2009.

Switzerland

Proposed measures

The following measures are under consideration:

- Accelerated adaption of the progression on income tax rates: The adaption is usually made once inflation reaches 7% from the last adaption. In light of the financial crisis, the government decided on an earlier adaption, i.e. in 2010. The law is likely to be amended.
- The tax reform of the taxation of families, which has been pending for a long time, likely will be approved in 2009 (effective as from 2010) because of developments in the global economy.
- A one-time tax refund to all Swiss resident individuals is under discussion and several Swiss cantons are discussing measures.

Other fiscal measures/corporate governance

- The Swiss approved abolition of the “reserve for the provision of employment” in a public vote in 2008. Funding of this reserve was a deductible expense for companies in previous years and the government has set the date on which the existing provisions (i.e. reserved amounts) are to be released to financial years 2009 and 2010.

Taiwan

Corporate income tax changes

- The loss carryforward period is extended from five to 10 years as from 23 January 2009.
- The five-year tax holiday under the Statute for Upgrading Industries (SUI) is extended to new investments by manufacturers from 1 July 2008 to 31 December 2009 and for those of associated technology service industries. The International Airport Park free-trade zone was implemented, granting an income tax exemption on the operations of foreign enterprises and their Taiwan branches in the free-trade zone for the warehousing and simple processing of goods that are then sold to foreign and a limited number of domestic customers.
- A company with net sales revenue declining by more than 30% during September to December 2008 and January to April 2009, compared with that of the previous year, can apply for an extension of 2008 corporate income tax and 2007 retained earnings tax payments. The extension period is for no more than three months and the deadline for payment is 31 December 2009.

Individual income tax changes

- The estate and gift tax is reduced to a flat rate of 10% from progressive rates that ranged up to 50%.
- The individual income tax is effectively lowered by an increase in the standard deduction and certain special deductions.

Indirect tax changes

- The futures transaction tax rate is reduced from 0.01% to 0.004% to stimulate the futures transaction market.
- A business tax exemption is introduced on imported fertilizer and the business tax on imported materials (e.g. wheat, barley, maize, soy beans, etc.) has been temporarily suspended.

Proposed measures

The Ministry of Finance has sent draft tax law amendments to the Executive Yuan for review, with a proposed effective date of 1 January 2010:

- The corporate income tax rate would be cut from 25% to 20%.
- The individual income tax rates would be reduced by 1%, i.e. from 21%, 13% and 6% to 20%, 12% and 5%, respectively.
- Four tax incentives in the SUI would be retained after the SUI expires on 31 December 2009: the tax credit for R&D expenditure; the tax credit for training expenditure; the tax exemption on qualifying income received by operational headquarters in Taiwan; and the tax exemption on income earned by qualified logistics and distribution centers.

Thailand

The Thai government has issued new tax measures to stimulate the economy for individuals and businesses.

Corporate income tax changes

- To promote the travel industry, corporate taxpayers can take a double deduction for costs incurred during 2009 for training, hotel rooms and training facilities. A tax exemption is allowed for debt restructuring and partial business transfers to facilitate the restructuring of companies. Small enterprises with income of less than THB 1.8 million are exempt from income tax.

Individual income tax changes

- Individual taxpayers can obtain a deduction for the acquisition costs of new houses up to THB 300,000. The tax measures for real estate development include a reduction of the sales tax and transfer fee to a minimum level.
- The government will support low-income citizens by providing a cash subsidy of THB 2,000 to those with income less than THB 15,000 per month. A similar subsidy may be extended to other individuals, e.g. seniors, village heads, farmers, etc.

Turkey

Corporate income tax changes

- The 0% withholding tax rate for interest paid to nonresidents is extended to “other financial institutions” (previously the 0% rate applied only to foreign banks and financial institutions) that are authorized to habitually provide credit in the country in which they are established and provide credit to all legal entities and individuals other than related parties.
- The withholding tax on interest paid to nonresidents for the sale of goods on credit is reduced to 5% (from 10%). The withholding tax on interest paid for credit received by banks via securitization abroad is reduced to 1% (from 10%).
- Certain tax incentives in free trade zones (i.e. corporate, income, stamp tax) have been extended.
- The following income (including those derived until 30 April 2009) of tax-resident entities and individuals are exempt from corporate and income taxes if transferred to Turkey by 31 May 2009:
  - Gains from the sale of a participation in an enterprise, or dividends derived from an enterprise, whose registered office or head office is located abroad; and
  - Business profits derived from a permanent establishment or permanent representative located abroad.
- Gains (including those derived until 31 October 2009) from the liquidation of an enterprise whose registered office or head office is located abroad if transferred to Turkey until 31 October 2009.

Proposed measures

The Turkish Parliament approved a stimulus package on 18 February 2009 that includes a series of measures primarily to assist domestic manufacturers and the unemployed. The legislation, which is awaiting the president's approval, includes the following major changes:

- A reduction in the corporate tax rate up to 90% (resulting in the effective rate reduced to 2% on qualifying amounts) will apply for qualified investments carried out under an investment incentive certificate issued by the Directorate of the Turkish Treasury. The Council of Ministers will determine additional details and criteria, i.e. as to sectors, regions, investment/employment levels, and qualifying investment expenditures (e.g. land, machinery, intellectual property, etc.).
- A reduction in the corporate tax rate up to 75% (resulting in the effective rate reduced to 5%) will be applied to companies operating in the textile, leather, ready wear and confectionary sectors if they transfer their production plants to provinces to be determined by the Council of Ministers until 31 December 2010 and create a minimum of 50 jobs. The reduced rate may be applied for five years starting from the calendar year following the year of the plant's transfer.
- The extension of certain incentives regarding income tax and social security employer contributions on salary payments and the energy subsidy until 31 December 2009.
- A reduction in the special consumption tax rate on cable, wireless and mobile internet services to 5% (from 15%).
- An extension of the exemption on VAT for deliveries under the inward processing and temporary acceptance regimes until 31 December 2010.
- Certain unpaid leave will be treated as temporary unemployment, allowing employees to benefit from unemployment insurance; allowances granted for unemployment will be increased by 50% and the benefits period will be extended from three to six months for applications made in 2008 and 2009.

United Kingdom

Corporate income tax changes

The following measures have been introduced:

- Trade losses may be carried back for three years (previously one year). The carryback to earlier periods is capped at GBP 50,000, with the one-year loss carryback remaining unlimited.
- Businesses maydefer their corporation and other tax payments providing certain hardship criteria are met (i.e. demonstrate a genuine need for deferral).

Indirect tax changes

- A temporary reduction in the standard rate of VAT to 15% was introduced as from 1 December 2008. The rate will return to its original level of 17.5% from 31 December 2009.

Proposed measures

- A preparatory document for the 2 April 2008 G20 summit suggests that the government may consider an additional fiscal stimulus in the Budget 2009 – possibly in the form of further tax cuts.

Deferred measures

- The proposed 1% increase in the small companies' rate of corporation tax from 21% to 22% was deferred by one year from 1 April 2009 to 1 April 2010.

United States

The United States has enacted a series of measures to bolster its financial markets and stimulate its economy. The most recent and broadest in scope, the American Recovery and Reinvestment Act of 2009, signed by the President on 17 February 2009, seeks to address the current economic challenges of the U.S. through a combination of direct federal spending, aid to the states and localities and USD 326 billion in tax relief. The Act's energy tax provisions begin to implement a "green" economic recovery plan that includes considerable renewable energy tax incentives and spending initiatives. Additional stimulus measures are expected in the President's first budget proposal to Congress on 26 February 2009. Highlights of the American Recovery and Reinvestment Act of 2009 are presented below.

Corporate income tax changes

- The Act extended the carryback period for net operating losses for small businesses with gross annual receipts of USD 15 million or less from two years to three, four or five years.
- The Act extends for one additional year the 50% bonus depreciation enacted in 2008. Under the bonus depreciation rules, 50% of the basis of qualified property may be deducted in the year the property is placed in service and the remaining 50% recovered under otherwise applicable depreciation rules.
- The Act allows some business taxpayers to elect to defer cancellation-of-debt (COD) income when the taxpayer or a party related to the taxpayer repurchases a debt instrument issued by the

taxpayer. The deferral period is five years for a reacquisi¬tion of a debt in 2009 and four years for those in 2010. After that deferral, 20% of the COD income would have to be included in each of the next five taxable years.

- The Act extends for one additional year the special provision (enacted in 2008) allowing corporations to accelerate their use of a portion of their carryforward alternative minimum tax (AMT) and research credits in lieu of claiming 50% bonus depreciation.
- The Act nullifies (subject to certain grandfathering relief) prior guidance that provided relief from built-in loss (BIL) rules for losses on loans or bad debts of banks after an ownership change. However, the Act grants relief to other taxpayers, so that the BIL limitation will not apply to certain ownership changes pursuant to a restructuring plan required under a loan agreement with, or a commitment for a line of credit from, the Treasury Department under the Emergency Economic Stabilization Act of 2008.
- The Act modifies the New Markets Tax Credit by increasing to USD USD 5 billion (from USD 3.5 billion) the total amount of credit alloca¬tion awarded for calendar years 2008 and 2009.
- The Act increases (for individual investments) the percentage exclusion for gain on the sale or exchange of qualified small business stock held for at least five years from 50% to 75% for stock issued after the date of enactment and before 1 January 2011.
- Other provisions provide incentives to hire unemployed veterans and discon¬nected youth, delay implementation of withholding on payments to government contractors, provide parity for qualified transportation fringe benefits, extend certain enhanced small business expensing, decrease the required estimated tax payments for certain small business owners and temporarily reduce the built-in gains holding period of S corporations.

Individual income tax changes

- Under the Making Work Pay Credit, the government will provide an estimated USD 116 billion in tax relief over the next two years. The credit is equal to the lesser of USD 400 for indi¬viduals and USD 800 for couples or equal to 6.2% the taxpayer's earned income, and is refundable even if the taxpayer otherwise has no income tax liability. The credit phases out as an individual's modified adjusted gross income increases and is reduced by the amount of any economic recovery payment received by the taxpayer from the Veterans Administration, Railroad Retirement Board and the Social Security Administration, and by a temporary one-time refundable credit paid in 2009 to certain government retirees. The provision applies to taxable years beginning after 31 December 2008, but terminates as of 31 December 2010.
- The Act provides another temporary patch to the individual AMT at a cost of nearly USD 70 billion. For families, the AMT patch will eliminate a potentially substantial tax increase by raising 2009 exemption amounts to USD 46,700 for individuals and USD 70,950 for joint filers.
- The Act also provides a deduction for state sales tax and excise tax on purchase of certain motor vehicles; extends the first-time home buyer credit, increases the ceiling to USD 8,000 and removes the repayment requirement; expands the earned income tax credit for low and moderate-income wage earners; increases the fully refundable child tax credit; provides a simplified education credit of USD 2,500 per year for the first four years of higher education expenses (refundable up to 40%) for 2009/2010; and exempts from tax up to USD 2,400 of unemployment benefits for 2009.

Other fiscal measures/corporate governance

- The Act includes a number of provisions designed to enhance the ability of state and local governments to issue tax-favored bonds to finance infrastructure and other economic development projects. These bonds fall into two broad categories: (1) tax-exempt bonds, the interest payments on which generally are excluded from the bond holder's gross income, and (2) tax-credit bonds, where interest effectively is paid by the federal government in the form of a nonrefundable tax credit that can be claimed by the bond holder.

Uruguay

No measures have been announced.

Venezuela

No measures have been announced.

Vietnam

Corporate income tax changes

Two tax circulars issued in January 2009 provide tax relief to small and medium-sized enterprises (SMEs) operating in key industries in Vietnam.

- SMEs are entitled to a 30% reduction of the statutory corporate income tax payable for the fourth quarter 2008 provisional corporate income tax liability, and the entire 2009 tax year. Before application of the 30% reduction, the statutory corporate income tax rate for 2008 and 2009 are 28% and 25%, respectively.

- SMEs and other enterprises operating in specialized business activities can defer quarterly provisional corporate income tax payments for the 2009 tax year up to nine months from the standard deadlines.

Individual income tax changes

- A February 2009 circular with retroactive effect defers the payment of personal income tax from 1 January through 31 May 2009 to encourage consumer spending. For all individual taxpayers, these provisions apply to income from capital investments, capital transfers, income from copyrights, and income from franchises. For resident taxpayers only, the deferral also applies to business income and income from salaries and wages. In the latter case, there is no requirement for an employer to deduct personal income tax from salaries and wages paid to employees during the first five months of 2009, and the employer is obligated to return any personal income tax already deducted from employees' remuneration during this time period. The National Assembly will meet in May 2009, when it may decide whether the deferral of personal income tax payments for the first five months of 2009 will be permanently waived, partially payable or fully payable.

Indirect tax changes

- January 2009 guidelines reduce the VAT rate on various goods and services (including automobiles, mechanical engineering products, transportation, tourism and hotel services) from 10% to 5% for the period 1 February 2009 to 31 December 2009,

Other fiscal measures/corporate governance

- The government approved a USD 1 billion stimulus package in December 2008 to stimulate investment and consumption. This package will be allocated to multiple sectors, including transportation, electricity, cement and infrastructure, as well as to improve the effectiveness of distribution and retail sectors.