Indirect tax in 2013

A review of global indirect tax developments and issues

Ernst & Young

Quality In Everything We Do

Our thoughts on

indirect taxation in 2013

Philip Robinson
Global Director – Indirect Tax
Tel: +41 58 289 3197
Email: philip.robinson@uk.ey.com

Welcome to *Indirect tax in 2013*. We hope you find this publication useful for your business.

This is our fourth annual roundup of developments in value-added tax (VAT), goods and services tax (GST), excise duties, customs duties and other indirect taxes around the world. We present changes that have been introduced recently or that are expected in the coming year in more than 100 countries; we also provide four summary maps to give a "snapshot" of where the changes are taking place. And, once again, we examine the changes we are seeing around the world in more detail to identify key trends and their implications for global businesses.

This year already looks set to be another challenging year for indirect taxes — and for you if you are responsible for managing them for your organization. Globalization and the spread of advanced technologies continue to increase the levels of cross-border trade in goods and services — and to present opportunities and difficulties for taxpayers and tax administrations. In the past, it was sufficient to keep abreast of in-country developments; now, you must be aware of what is happening all over the world. Ensuring the detailed changes are reflected in your accounting and reporting systems is an ongoing, difficult task — as the sheer number of indirect tax changes in this report indicates! But it is also important to keep the bigger picture in mind: what does the shift toward indirect taxation mean for your overall tax and business strategy? What do these developments mean for your organization?

As you read this report and our overview article, you may want to keep these questions in mind: which developments impact us most? Who needs to be aware of these changes? What actions do we need to take? What impact might these developments have on our future plans?

Indirect tax in 2013 provides a high-level overview of significant developments in indirect taxation, but it is not an exhaustive list. This is a rapidly changing area of taxation. Please be aware that there may be other changes not listed in this publication that may have an impact on your business. Detailed information about developments in indirect taxes may be found at ey.com and through our regularly updated eVA information service, *The Worldwide VAT, GST and Sales Guide* and in our regular magazine, *Indirect Tax Briefing*.

If you would like to discuss developments in indirect tax, or if you would like access to our eVA service or copies of our publications, please contact one of the Ernst & Young Indirect Tax leaders listed in this report, or your usual Ernst & Young Indirect Tax contact.

Best regards,

Philip Robinson

Global Director — Indirect Tax

Co

Contents

With change comes complexity 6

Five key trends in indirect tax 8

1 VAT/GST 18

VAT/GST rate changes map 20
Other VAT/GST changes map 22
Countries 24

2 Excise and other indirect taxes 72

Excise and other taxes map 74
Countries 76

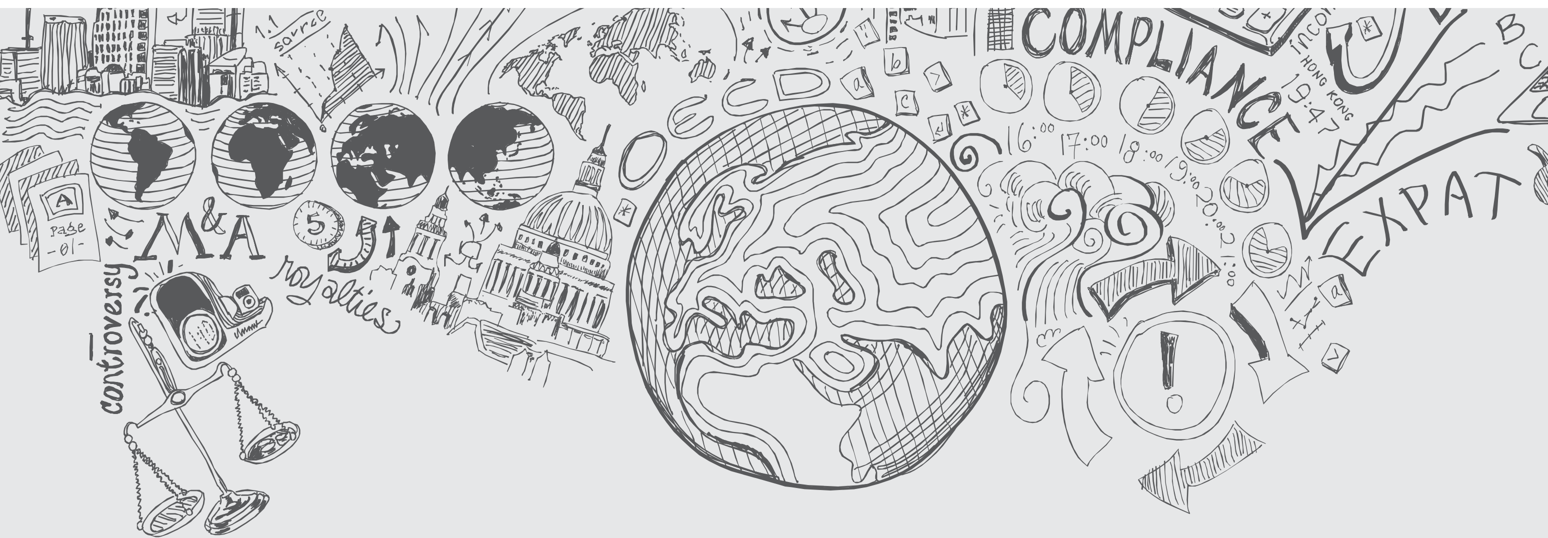
3 Customs duty and international trade 94

Free trade agreements 96
Significant country developments 2012-13 97
Customs duty and international trade map – Free trade agreement 114

With change comes complexity

Claudio Fischer
Tel: +41 58 286 3433
Email: claudio.fischer@ch.ey.com

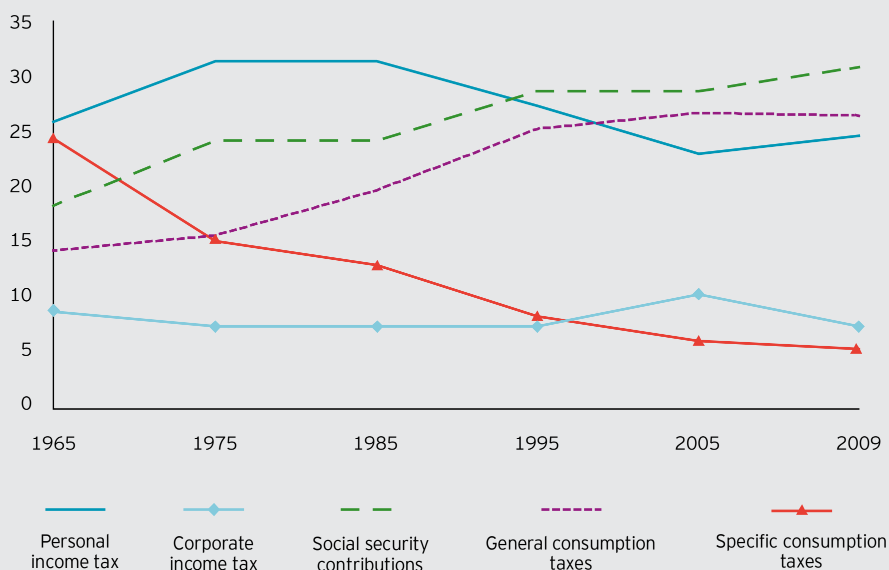
The sheer number and variety of changes in indirect taxes in recent years and the challenge of implementing them into accounting and reporting systems can be overwhelming — making it hard to keep sight of the bigger, strategic picture. But what do all these changes add up to? Do common themes emerge? What changes can we expect in the future?



The "tax mix" is shifting toward taxes on consumption

It is probably unprecedented in the long history of taxes that a specific tax mechanism, such as value-added tax (VAT), has spread around the world in less than a half century. Limited to less than 10 countries in the late 1960s, VAT – or, in several countries, goods and services tax (GST) – is today an essential source of revenue in more than 150. Despite its importance, VAT/GST is not the only indirect tax. Taxes on specific goods and services – consisting primarily of excise taxes, customs duties and certain special taxes – form the other important leg of indirect taxes. The unweighted average of revenue from the five broad categories of taxes as a percentage of overall taxation in the Organisation for Economic Co-operation and Development (OECD) member countries indicates that the proportion of indirect taxes make up about one-third of the total (Figure 1).

Figure 1. Tax structures in the OECD area[1]



Source: OECD Tax Database

1. Percentage share of major tax categories in total tax revenue.

We believe that the importance of indirect taxes will continue to grow. The economic crisis has caused many governments to find sustainable ways to rebalance their budgets and stimulate growth. This would imply government will continue the shift from direct to indirect taxes, which are less harmful for growth, look to improve the efficiency of indirect taxes and take action to combat tax fraud and avoidance.

What is driving this change?

We have identified five key trends in indirect taxation that we believe will be significant for international businesses in 2013 and beyond:

1. VAT/GST rates are increasing.
2. Excise duties are on the rise again.
3. Free trade is increasing but is meeting protectionist challenges.
4. Indirect tax systems are becoming more efficient.
5. Tax administrations are focusing on compliance and enforcement.

Let's consider each of these trends in detail and look at which regions of the world are most affected by each.

12345

Increasing VAT/GST rates

Around the world, many countries are relying more and more on indirect taxes to finance their budgets. Coupled with the ongoing economic crisis, VAT/GST rates have increased impressively in recent years as a result; at the same time, the scope of VAT has broadened in many countries.

The trend in rising VAT rates has been particularly strong in Europe, especially in the European Union (EU), where, as a result of the consistent rises, between 2008 and 2012 the average EU standard VAT rate increased from around 19.5% to more than 21% (Figure 2, p10). The upward rate trend in Europe continues as Cyprus, the Czech Republic, France, Finland, Italy, Poland and Slovenia have already increased rates recently or have announced increases later in 2013 and 2014.

In Asia-Pacific, the upward VAT/GST rate trend is less explicit, but still noticeable. Japan, for example, which is struggling with massive budget deficits, decided in August 2012 to increase the current VAT rate from 5% to 8% effective 1 April 2014 and to 10% effective 1 October 2015. Thailand has also announced a rise in the VAT rate from 7% to 10%, to happen by October 2014.

By contrast, VAT/GST rates in the Americas remain relatively stable. In South America, where VAT systems are widespread and have been in use for some time, rates have not changed much in recent years. One exception is in the Dominican Republic, where the rate is set to increase from 16% to 18% this year and next year.

Broader base

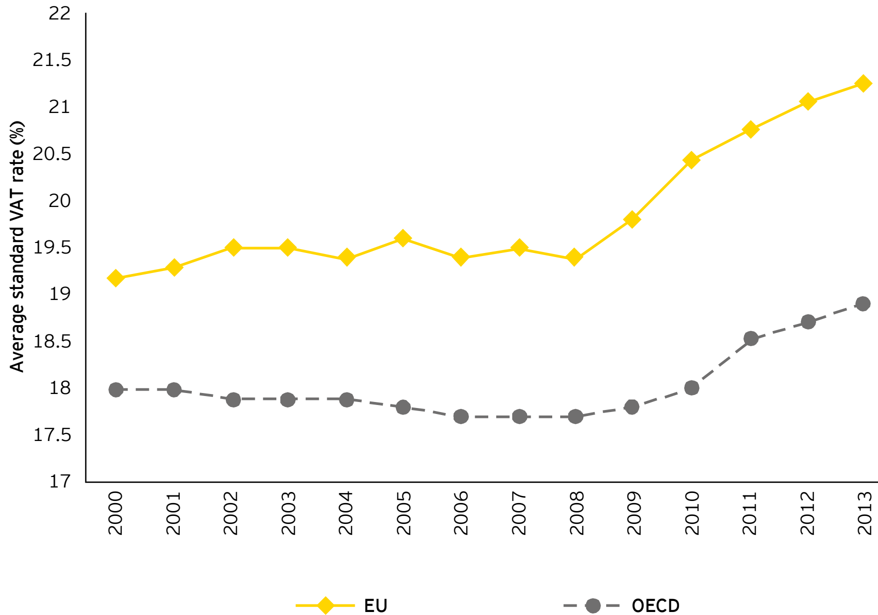
The scope of VAT/GST is also widening in many countries. This is being achieved through the "reclassification" of certain goods or services to apply a different rate and by removing exemptions. Examples of countries where the scope of the zero-rate (0% rate) was reduced in 2013 include Croatia, Norway and Kenya; while in the Dominican Republic, Jamaica, and Zambia, exemptions have been removed, and in Iceland, Italy and Poland, the application of the standard rate has been widened to goods that were previously taxed at reduced rates.

The impact on business

The significance of this trend for final consumers is clear: retail prices rise. But its impact on businesses is equally important: higher VAT/GST rates increase the compliance risk. Companies must ensure that all the increases are properly dealt with in their accounting and reporting systems, which often results in a range of IT and administrative costs. Errors frequently arise when rates change, resulting, for example, from incorrect product or tax codings or confusion about the correct rate for supplies that span the change. More generally, rate increases mean the amount of VAT/GST "under management" also increases, as do penalties for errors that are based on the amount of tax payable.

Higher VAT/GST rates increase compliance risk

Figure 2. Average VAT rates in the EU and OECD



12345

Rising excise duties

The percentage of government revenues received from excise duties has seen a constant decline over recent years (Figure 1). However, this development has now slowed down and we might see a turn in the opposite direction as excise rates are rising and new duties are being introduced.

In Europe, in particular, all three important groups of "classic" excise duties (alcohol, tobacco and mineral oils) have seen significant increases, with the only decrease in fuel excise duties implemented in Slovenia in 2012. This year, excise duties on tobacco and/or alcohol have increased or will soon increase in most EU countries, Guernsey, Moldova, Norway and Switzerland. This trend can also be seen in other parts of the world; in Africa higher excise duties are being imposed on these items, e.g., in Benin, Gambia and Zimbabwe. In the Americas, Aruba, Canada, Costa Rica and Mexico have also raised taxes on alcohol or tobacco, as have Fiji, New Zealand and the Philippines in Asia-Pacific.

Influencing consumers

While the main purpose for excise duty rate increases — and the original reason for the introduction of excise duties — is to raise revenue, these taxes are also increasingly being used to discourage consumption of certain products considered to be harmful, thus influencing consumer behavior in a number of areas.

A relatively new trend is the introduction of excise taxes on health-related products (other than alcoholic beverages and tobacco products) such as snack taxes on "unhealthy" food. For example, Benin, Costa Rica, Norway and the Philippines have all increased excise duties on soft drinks, Finland has introduced an excise

Environmental issues have played an increasing role in determining the nature and application of taxes

duty on sweets and ice cream, and in France a specific contribution has been introduced on suppliers of beverages (sodas) with added sugar or sweeteners.

Over the last decade, environmental issues have also played an increasing role in determining the nature and application of taxes, e.g., on road fuel, motor vehicles and CO2 emissions. This type of measure includes tackling issues such as waste disposal, water pollution and air emissions. With support from the OECD, whose analysis seems to confirm the advantages of environmental taxes,[2] many countries are introducing or increasing such taxes. For example, Germany has introduced a tax on nuclear fuel, Austria and Germany have introduced a duty on airline tickets for airplanes leaving from domestic airports, Ireland has introduced a tax on CO2 emissions and South Africa is currently working on a framework for a carbon tax for which legislation is expected in the latter half of 2013.

Taxing financial transactions

Finally, there is a noticeable trend toward increasing the tax burden on financial transactions. Although there seems to be a common and widespread belief among countries that the financial sector should contribute its fair share in remedying the damage arising from the financial crisis, there is no common approach as to how this should be achieved. Some countries have increased supervision of the industry and tightened regulations. However, in Europe, in particular, the preferred approach has been to levy taxes on financial transactions. France introduced a financial transactions tax in August 2012, and on 1 January 2013, Hungary introduced a tax of 0.1% on the amount involved in any payment service. Italy will follow in March 2013 with a tax on the transfer of shares and derivatives and high-frequency trading. In addition, 11 EU member states have agreed to introduce a common transaction tax on the exchange of shares and bonds and on derivative contracts, which could be introduced as early as 2014.

12345

Free trade increases but is meeting protectionist challenges

Customs duties were once a primary source of revenue for most countries. But continuously growing global trade and the efforts of organizations such as the World Trade Organization (WTO) have led to a constant reduction in customs duties around the world. This trend continues around the world as countries continue to conclude a growing network of various kinds of trade agreements.

The WTO currently has 158 members (the most recent, Laos joined at the start of February 2013) and it reports 546 active and pending reciprocal regional trade agreements among its members. This number does not include unilateral preference programs, that is, trade preferences granted to products imported from identified countries without reciprocal benefit, such as the Generalized System of Preferences (GSP) in the EU and the US, which provide duty-free treatment to many products from developing nations.

2. *Environmental Taxation, A guide for Policy Makers*, available at http://www.oecd.org/greengrowth/environmentalpolicytoolsandevaluation/48164926.pdf

Non-tariff barriers have grown substantially in recent years

A number of new free trade agreements (FTAs) are expected to enter into force in 2013, thus further reducing the amount of customs duties imposed on global trade; examples include the agreement involving the EU and Peru and Colombia, Montenegro and the European Free Trade Association, and Hong Kong with the European Free Trade Association, and Indonesia and Pakistan. Nearing completion are, among others, the trade agreements between Costa Rica and Peru and between Canada and India, and negotiations are in various stages of completion for a range of others.

Duties still a significant source of revenue and cost

However, the situation is not always that straightforward. Although customs duty rates are generally reducing for international trade, these taxes still play a very significant role in meeting countries' budgetary needs. In many cases, duty rates on many goods and materials remain high.

Unlike VAT/GST, duties charged at one stage in the supply chain are not offset against taxes due at later stages, so duties form part of the cost base of affected goods. In addition, customs clearance procedures can add to the time and related costs of moving goods cross-border. And even where FTAs exist, many businesses are not actually obtaining the potential benefits offered because they cannot or do not meet the qualifying conditions.

Protectionism

More generally, global trade may be hampered by the current economic climate, which is encouraging protectionist tendencies, as evidenced by the current difficulties encountered in the Doha Rounds. Non-tariff barriers have grown substantially in recent years, many in the form of health, safety or environmental requirements. The WTO reported 184 new trade-restrictive measures enacted between October 2010 and April 2011 and 182 between October 2011 and May 2012.

In addition, where countries are not bound by FTAs, import duties are still a common and often-used means to steer trade and production. For example, to boost the development of sugar cane production toward meeting the raw sugar needs of domestic sugar refining companies, effective 1 January 2013 Nigeria now applies a 0% import duty on machinery for local sugar manufacturing industries, but it has increased the total tariff on imported refined sugar to 80% from 35%, and raw sugar tariffs increased from 5% to 60%.

12345

Making indirect tax systems more efficient

Applying higher rates is just one way to increase indirect tax revenues; others include broadening the tax base of an existing VAT/GST system, increasing the efficiency of the tax system or improving compliance and enforcement.

Changing law and practice

Many countries are currently in the process of refining their indirect tax systems. In developed markets, long-standing VAT systems need to adapt to the demands of a 21st century digital economy. In emerging markets, which are experiencing economic developments at a fast pace, indirect tax systems need to adapt to keep pace. In India, for example, a new nationwide GST is ready to be implemented and only awaits agreement between the central and state governments. The new Indian system is intended to replace almost all existing

Almost 95% of countries surveyed have "mandatory" or "optional" e-filing

indirect taxes levied at the state and national levels, minimize exemptions and do away with the current multiplicity of taxes. Similarly, China is in the process of replacing its current business tax on services with a broader-based VAT through a series of VAT pilots. In the end, it is intended to amalgamate all forms of China's turnover taxes into the VAT.

In the EU, the European Commission has launched a comprehensive reform of the existing VAT system. The Commission has identified no fewer than 26 priority areas for further action in the coming years. The aim is to move to a more modern VAT system, which should be simpler, more efficient and more robust. Significant changes can be expected in the near future, such as the adoption of a one-stop-shop registration for all taxpayers' duties or a standardized EU VAT return.

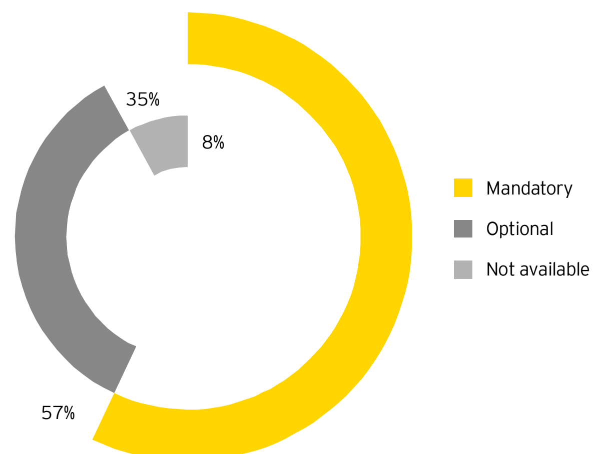
The United States (US) is still far from implementing a federal VAT. Currently, states apply their own consumption taxes, most of which are single-stage taxes on the sale of goods. But, even in the US, a trend can be seen toward states extending the scope of their current sales taxes. While sales taxes, by definition, only apply to purchases of physical goods, it is the market in electronically supplied services (such as digital music distribution, internet downloads or telecom services), which is growing fastest. An increasing number of states are, therefore, trying to expand their current sales tax to cover electronic goods and services or are trying to create a "nexus" for out-of-state vendors to constrain sellers to collect sales taxes on remote sales.

With more than 150 countries now operating a VAT/GST system and international trade still growing, it is becoming more important than ever to provide a global framework for a consistent interaction of all these different systems. For a number of years, the OECD has been working on developing international VAT/GST guidelines, which could provide the basis for such a framework. This initiative gained momentum following the OECD's Global Forum on VAT, held in November 2012. The forum brought together more than 85 country delegations from all continents together with international organizations, academics and businesses to explore key policy trends and their impact for tax administrations and businesses.

Improving tax administration

Finally, governments have discovered that also on the administrative side, the efficiency of VAT/GST systems can be drastically improved – which increases tax revenues. There are many approaches taken by governments, but an important one is to create common interfaces and reduce gaps in the system. This is (among others) one reason why many governments are enforcing the use of electronic data transmission and filing.

Figure 3. Electronic filing of VAT/GST returns



In December 2012, we conducted a survey of Ernst & Young Indirect Tax professionals in 39 countries and asked them about indirect tax compliance requirements.[3] Twenty-five, of the 39 countries surveyed require VAT/GST returns to be filed electronically on a mandatory basis, 12 states have an optional electronic filing (e-filing) facility and just two countries do not offer or require e-filing (Figure 3).

3 . The survey included the following countries: Australia, Austria, Belarus, Brazil, Canada, Chile, China, Cyprus, Czech Republic, Denmark, Egypt, Finland, Germany, Greece, India, Indonesia, Italy, Kazakhstan, Latvia, Malta, Moldova, Morocco, New Zealand, Norway, Pakistan, Peru, Portugal, Romania, Russia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Tunisia, Turkey, Ukraine.

The impact on business

The reason for this trend is clear: e-filing considerably eases processing of VAT/GST returns for tax administrations and makes administration faster and more efficient. In addition, having electronic data enables tax administrations to use IT-based audit tools more easily, which can help to combat fraud and evasion.

Most taxpayers can also benefit from increased efficiencies arising from e-filing, but dealing with multiple tax administrations' different requirements and tax administrations' increased audit capacities means that greater focus must be given to the accuracy and efficiency of indirect tax compliance processes to avoid an increased risk of incurring penalties.

12345

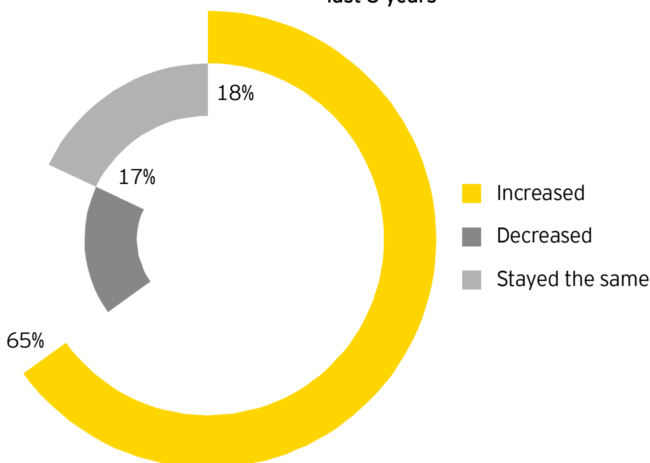
Increased focus on enforcement

The growing importance of indirect taxes to governments places more pressure on tax administrations to enforce compliance. This focus is leading to greater scrutiny of taxpayers' affairs through more frequent and more effective tax audits and greater consequences for errors.

Audits and exchange of information

In Europe, where VAT rates are highest, high-profile cases of missing trader or carousel fraud, involving organized criminal gangs exploiting how VAT applies to cross-border trade, have shown that VAT systems are vulnerable to such attacks and they have alerted governments to the need for vigilance.

Figure 4. Number of VAT audits in the last 3 years

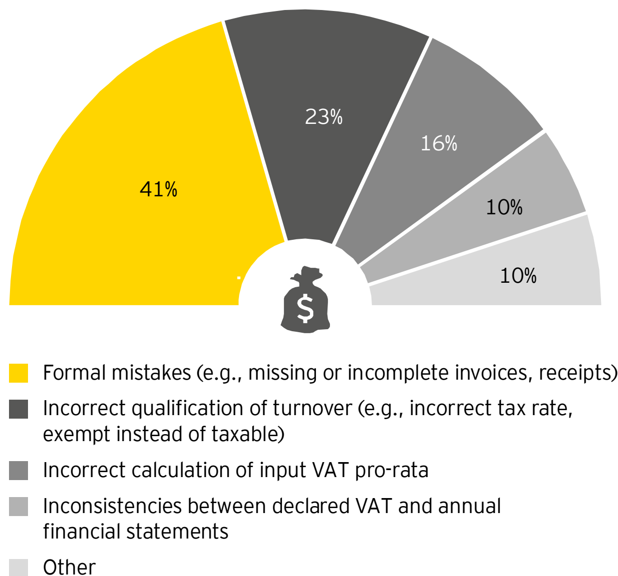


As a consequence, tax administrations in all parts of the world are putting a greater focus on indirect tax compliance and enforcement.

Our recent survey of Indirect Tax professionals in 39 countries indicates that, in the large majority of countries, the number of tax audits has increased in recent years and is likely to increase further in the future (Figure 4). Only six countries reported that audits had decreased; even then, in some cases, while the number of audits carried out was said to be lower, the amount of additional tax levied due to tax audits is still increasing. This finding seems contradictory, but it can perhaps be explained by tax administrations carrying out more targeted audits; 24 out of the 39 countries already use specialized IT tools such as audit software to detect irregularities or suspicious patterns in taxpayers' tax returns.

In our survey 16 countries indicated that the tax administration exchange information about taxpayers' VAT affairs with other countries. These countries are mainly found in the EU, where the common VAT system requires an extensive information exchange. On a global scale, the multilateral Convention on Mutual Administrative Assistance in Tax Matters, which is open to all interested countries, facilitates exchange

Figure 5. Most frequent reasons for tax adjustments

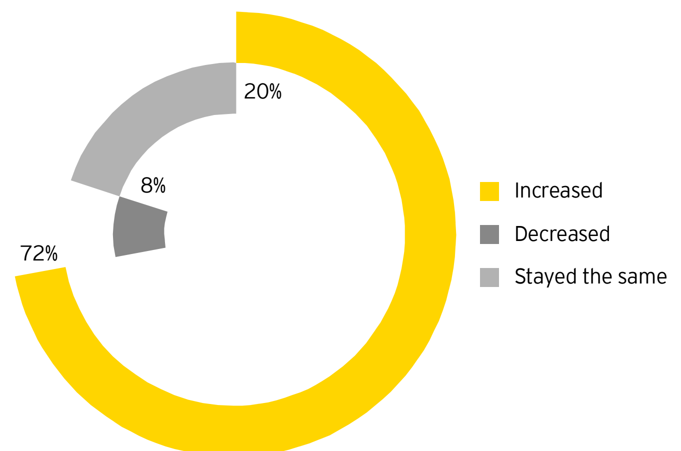


of information on all compulsory payments to the general government except for customs duties.[4] In the last two years, more than 50 countries have either become signatories to the convention or have stated their intention to do so. This will lead, without doubt, to increased international cooperation. But, even if countries do not (yet) share information, they increasingly exchange information internally, between different authorities and departments (e.g., with customs or social security authorities). Only four out of the 39 countries we surveyed do not share any information at all.

Targeting fraud but hitting "honest" taxpayers too?

There is nothing to be said against stricter compliance enforcement if it actually helps to fight fraud. Fraudulent behavior damages the overall economy and tax compliant businesses, which suffer competitive disadvantages. The other side of the coin, however, is that tax administrations have generally become more wary toward all taxpayers; they are less open to entering into discussion, and it is more difficult to reach mutual agreement on specific issues. Tax administrations increasingly apply a strictly formal approach not considering specific economic and business issues. This is bad news for all "honest" businesses, which want to be compliant, even more so as our survey shows that formal mistakes (e.g., missing information on invoices) are still by far the most frequent reason for indirect tax adjustments, be it an additional tax charge or the denial of input tax recovery (Figure 5). In addition, we observe a tendency for tax administrations to pay out input tax surpluses with increasing delay – if at all – or to reject an input tax claim based on bad faith, stating that the claimant should have known that his supplier did not correctly handle the tax.

Figure 6. Risk of penalties



At the same time, many countries are applying stricter penalty regimes in the case of non-compliance and mistakes. In our survey, 27 of the 39 countries reported that penalties are increasing, and only three saw a decrease (Figure 6). Fines are generally imposed faster and sooner and the fines are higher than in the past. Increasingly, fines are enforced for timing issues, such as late payment, where in the past tax administrations were more lenient on these issues (for example, Austria, Germany, Pakistan and New Zealand).

4. www.oecd.org/ctp/eoi/mutual

What should taxpayers do?

The indirect tax trends identified in this article are not new. But it is precisely their continuing existence that indicates that they are important and long-term developments. All of these trends, be it higher rates, changes in the VAT/GST system or improvements in the way authorities administer the taxes, have a direct impact on businesses, which need to keep abreast of these changes.

Indirect taxes are not easy to manage.For example, excise duties, such as carbon taxes, change quickly and represent a high compliance risk because they typically operate differently in each country. Taxpayers who collect VAT/GST from final consumers on behalf of the state run increased risks of carrying the tax burden and eventual penalties themselves if they do not correctly manage the tax.

With tax administrations assessing taxes more thoroughly and using powerful and efficient tools, the chance that mistakes will be found has risen considerably and will remain high. Also, as indirect tax rates increase, the consequences of mistakes become more severe. This is particularly true for businesses that do not recover VAT/GST in full (e.g., because of VAT exempt activity) such as banks and insurance companies. But higher rates also have an increased cost or cash flow impact on companies that incur VAT/GST in foreign jurisdictions, which is not refunded quickly or, which they do not or cannot recover (e.g., because of an absence of refund schemes for non-residents or because of complicated refund procedures).

As indirect tax administrations are turning increased attention to enforcement — including joint audits with other taxes and even other countries — these activities may disrupt business activity. Large assessments for underpaid tax or penalties for late filings not only have an impact on profitability, they may draw unwanted adverse publicity, even for compliant businesses.

More than ever, it pays to proactively manage indirect taxes. Establishing a clear indirect tax strategy aligned to your overall business strategy will help you keep your business up to date with the rapidly changing tax environment and avoid additional costs and risks of poor compliance or missed opportunities.

Indirect tax management – more crucial than ever

- Consider how indirect taxes align to your corporate strategy
- Formulate and establish indirect tax management and reporting structures
- Assign high-level responsibility for indirect taxes (e.g., by appointing a VAT Director)
- Clearly allocate responsibilities between tax, finance, IT, logistics and the business units
- Map all business flows and analyze their indirect tax impact
- Analyze the impact on VAT/GST, excise and customs costs and reporting before entering new markets
- Use advanced technology (ERP systems, automated diagnostic tools)
- Streamline reporting and accounting systems used within the company
- Assure proper documentation and archiving of all relevant transactions
- Proactively identify potential issues and seek clarification
- Adopt appropriate key performance indicators to monitor compliance and performance
- Keep up to date with developments, especially in key countries

1

VAT/GST

VAT rate changes map 20

Other VAT changes map 22

Countries 24

VAT/GST rate changes

Canada
1 January 2013: Quebec – QST applies at the rate of 9.975% to taxable supplies.

1 April 2013: British Colombia transitions back to a provincial sales tax (PST).

Colombia
Reduction of the number of applicable rates from seven (0%, 1.6%, 10%, 16%, 20%, 25% and 35%) to three (0%, 5% and 16%).

Jamaica
1 June 2012: GCT standard rate reduced to 16.5% (from 17.5%)

Iceland
1 January 2013: VAT on hotels and accommodations increased to 25.5% from the reduced rate of 7%.

Italy
1 July 2013: standard VAT rate will increase from 21% to 22%.

Netherlands
1 October 2012: standard rate VAT increased to 21% (from 19%).

Serbia
1 October 2012: standard VAT rate increased to 20% (from 18%).

Czech Republic
1 January 2013: standard VAT rate increased to 21% (from 20%), reduced VAT rate increased to 15% (from 14%).

1 January 2016: single uniform VAT rate of 17.5% will apply.

Cyprus
14 January 2013: standard rate of VAT increased to 18% (from 17%).

13 January 2014: standard rate will increase to 19%, reduced rate will increase to 9% (from 8%)

Croatia

1 January 2013: zero VAT rate abolished – items previously taxed at this rate now subject to 5% VAT rate.

Finland

1 January 2013: VAT rates rose by1% – standard rate is now 24% and the reduced rates are now 10% and 14%.

Japan

1 April 2014: consumption tax rate will increase to 8% (from 5%).

1 October 2015: consumption tax rate will increase to 10%.

Israel

1 September 2012: standard VAT rate increased to 17% (from 16%).

Spain

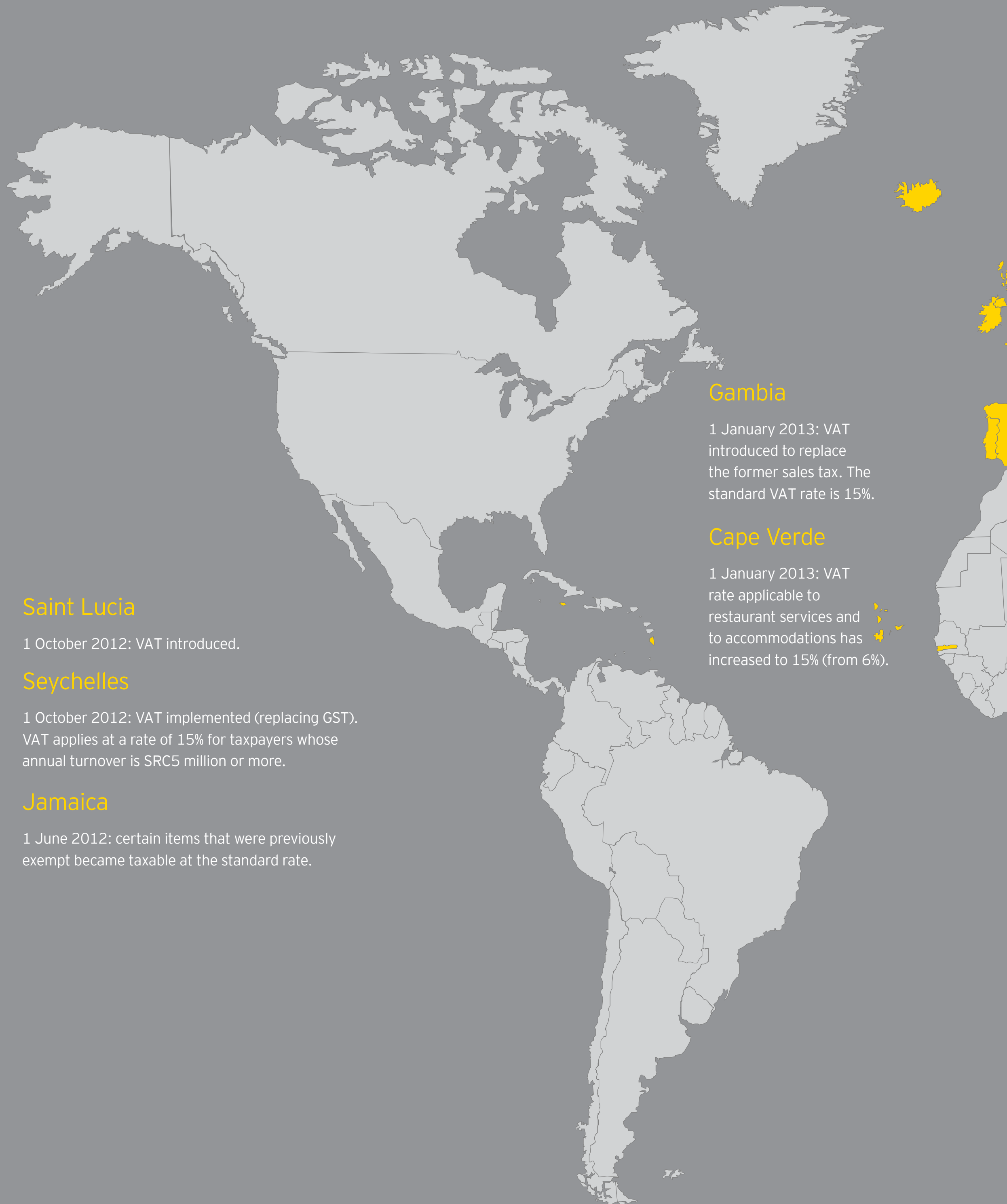
1 September 2012: standard VAT rate increased to 21% (from 18%), reduced VAT rate increased to 10% (from 8%).

France

1 January 2014: France plans to increase its standard rate of VAT from 19.6% to 20%.

1 January 2014: the 7% reduced rate (which applies to restaurants and digital books) will rise to 10%, and the 5.5% reduced rate (which applies to food) will be reduced to 5%. The middle rate will be increased from 7% to 10%.

Other VAT/GST changes



Gambia

1 January 2013: VAT introduced to replace the former sales tax. The standard VAT rate is 15%.

Cape Verde

1 January 2013: VAT rate applicable to restaurant services and to accommodations has increased to 15% (from 6%).

Saint Lucia

1 October 2012: VAT introduced.

Seychelles

1 October 2012: VAT implemented (replacing GST). VAT applies at a rate of 15% for taxpayers whose annual turnover is SRC5 million or more.

Jamaica

1 June 2012: certain items that were previously exempt became taxable at the standard rate.

European Union

1 January 2013: new invoicing rules implemented.

1 January 2015: final phase of VAT package to be introduced.

1 January 2013: the long-term lease of means of transport to non-business customers is taxable where the customer is established.

United Kingdom

1 December 2012: VAT registration threshold was removed for businesses not established in the UK.

Ukraine

1 January 2013: VAT exemption applies to software and encryption devices for data protection.

Iceland

1 January 2013: VAT on hotels and accommodations increased to 25.5% from the reduced rate of 7%.

Moldova

1 January 2013: VAT exemption granted for fixed assets contributed into the share capital of a company no longer applies.

1 January 2013: VAT rate for natural gas and liquefied gas has increased to 8% (from 6%)

Poland

1 April 2013: new rules for reverse-charged supplies of goods introduced.

1 April 2013: VAT exemption for non-public postal services provided by Poczta Polska has been abolished. These services will be subject to the standard VAT rate of 23%.

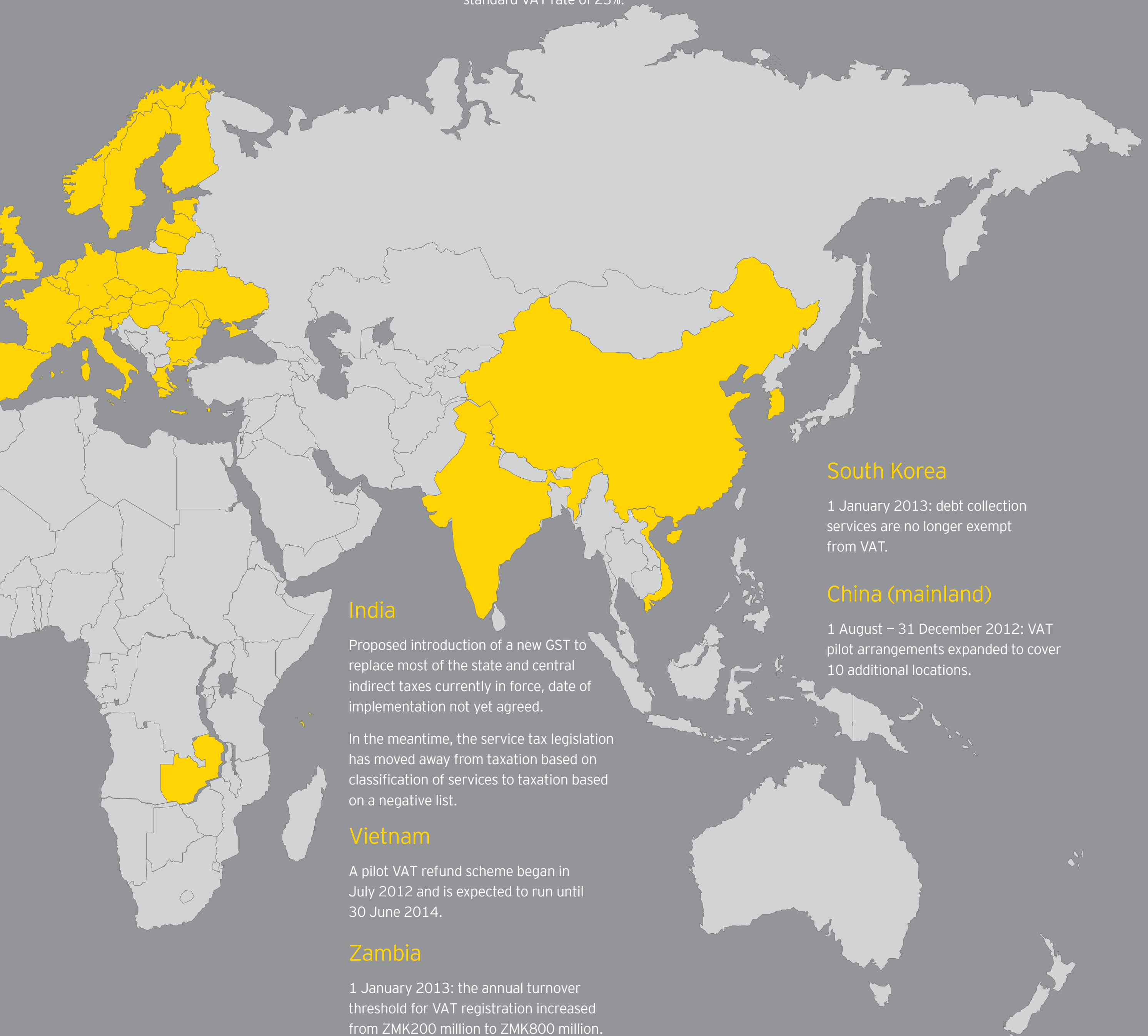
Norway

1 January 2013: foreign entrepreneurs providing transport services directly to and from Norway are not obliged to register for VAT, but they are entitled to receive refund of VAT paid on purchases of goods and services in Norway.

1 January 2013: zero rate for the supply of services relating to public roads and railways has been abolished.

Hungary

1 January 2013: threshold for individual VAT exemption has been raised from HUF5 million to HUF6 million.



India

Proposed introduction of a new GST to replace most of the state and central indirect taxes currently in force, date of implementation not yet agreed.

In the meantime, the service tax legislation has moved away from taxation based on classification of services to taxation based on a negative list.

Vietnam

A pilot VAT refund scheme began in July 2012 and is expected to run until 30 June 2014.

Zambia

1 January 2013: the annual turnover threshold for VAT registration increased from ZMK200 million to ZMK800 million.

1 January 2013: the period within which tax invoices can be used to support a VAT claim has been reduced from 12 months to six months.

South Korea

1 January 2013: debt collection services are no longer exempt from VAT.

China (mainland)

1 August – 31 December 2012: VAT pilot arrangements expanded to cover 10 additional locations.

Argentina

The 5% VAT refund that applies to purchases paid for with debit cards (excluding purchases of liquid fuels and natural gas) is generally extended until 31 December 2013 (Resolution 940/2012 of the Ministry of Economic Affairs, published in the Official Bulletin of 31 December 2012).

Armenia

Effective 1 January 2013, a number of changes were made to the Law on VAT including the following:

- Taxpayers, whose turnover does not exceed AMD58,350 for the calendar year, will be considered to be turnover tax payers for that year, unless they apply to become VAT taxpayers.
- Depending on the business carried out by the taxpayer, tax invoices may be issued in advance provided that the goods are supplied or the services are rendered on the supply date mentioned in the tax invoice.

Australia

Effective 28 December 2012, the amount of a "penalty unit" (which is used to determine various penalties for tax and duties non-compliance) increased from AU$110 to AU$170.

Legislative amendments are also proposed that have an impact on the scope for claiming refunds of overpaid GST. These changes were announced on 17 August 2012, which is also the proposed date of effect. During the consultation process for the proposed change, significant concern was expressed regarding their scope. At the time of writing, the Australian Government has not yet responded to the submissions received during the consultation.

In 2010, amendments were made to the law to reduce GST compliance costs for businesses involved in the domestic transport of exported and imported goods. However, the Australian Treasury has identified that the 2010 amendments may not be achieving their intended outcome in all instances and it has recently released a consultation paper which proposes some further amendments to the GST Act. The consultation period closed on 23 November 2012 and the Treasury is yet to respond to the submissions received. Therefore, at the time of writing, it is not certain what further changes will be made to the GST treatment of cross-border transport services.

Austria

Effective 1 January 2013, in accordance with EU law, the long-term lease of means of transport (such as cars, vans and boats) to non-business customers is taxable where the customer is established (not where the lessor has established its business). An exception applies to the leasing of pleasure craft, which are deemed to be supplied in the place where the pleasure craft is made available to the recipient of the service (if that is where the lessor has established its business or has a permanent establishment that performs the service).

Also effective 1 January 2013, all forms of electronic invoicing are permitted. The authenticity of the origin, the integrity of the contents and the legibility of the invoice must be ensured. Taxable persons must determine how to satisfy these requirements using business controls that create a reliable audit trail between the invoice and the supply of goods or services.

Effective 1 January 2013, the threshold for submitting INTRASTAT statistical reports has increased to €550,000 annual value of intra-Community supplies or acquisitions (previously the limit was €500,000).

Azerbaijan

Effective 1 January 2013, the VAT registration threshold has increased. Taxable persons are obliged to register for VAT if their taxable income exceeds AZN120,000 for the previous 12 consecutive months (previously, the registration threshold was AZN90,000 for individuals and AZN150,000 for companies).

Belarus

Effective 1 January 2013, the previous opportunity to choose the method of revenue recognition (i.e., to choose the accrual or cash methods of revenue recognition) was abolished. The unified approach has been introduced for all taxpayers. As a result of the change, the date of supply for goods, works, services and property rights is determined as the date of dispatch of the goods, performance of the works or rendering of the services or transfer of the property rights (i.e., using the accrual method). The payment date is disregarded.

The following main exemptions to this rule have been introduced:

- The date of supply for goods, works, services and property rights performed by foreign legal entities not registered with the Belarusian tax authorities is the date of payment, including the date of any advance payments (or other form of obligation).
- The date of supply for goods, works, services and property rights performed by foreign legal entities not registered with the Belarusian tax authorities under commission, trust and other similar agreements concluded with legal entities and individual entrepreneurs registered with the Belarusian tax authorities is the date of dispatch of the goods, performance of the works or rendering of the services or transfer of the property rights disregarding the day of payment.

Belarus (continued)

- The date of supply for goods for loan transactions (excluding commercial loans) is the date that the income is received.

Effective 1 January 2013, a "tax free" mechanism has been introduced allowing foreign individuals to claim a refund of VAT on purchases made in Belarus upon export of the goods from the territory of the Customs Union.

Belgium

In accordance with EU Directive 2008/8/EC, effective 1 January 2013, the place of supply for the long-term hiring of means of transport to a non-taxable person is the place where the customer has its place of establishment. However, the place of hiring a pleasure boat to a non-taxable person is the place where the pleasure boat is actually put at the disposal of the customer, where this service is actually provided by the supplier from his place of business or a fixed establishment situated in that place.

The provisions of Directive 2010/45/EU relating to electronic invoicing came into effect on 1 January 2013. The new rules apply to the contents of VAT invoicing, the obligation to issue an invoice, and the storage of invoices. For intra-Community supplies of goods, invoices must be issued no later than on the 15th day of the month following the month when the chargeable event occurs. Under the new law, the storage period for invoices is seven years.

Benin

Effective 1 January 2013, the rental of unfurnished residential properties and the domestic supply of gas are exempt from VAT.

The following transactions are exempt from VAT and customs duties:

- The importation, production and sale of agricultural inputs, as well as phyto-sanitary instruments. This exemption also extends to the 1% *Redevance statistique* (RS) tax.
- The importation, production and sale of accessories and machine spare parts or equipment to be used by small businesses for the purpose of processing and storage of agricultural products. The exemption applies also to small businesses carrying on fishing and breeding activities. However, these items are still subject to *Prélèvement communautaire de solidarité* (PCS) tax, *Prélèvement communautaire* (PC) tax, *Taxe statistique* (STAT) and *Taxe de voierie* (TV) tax.
- The importation, production and sale of machinery and material used for packaging and manufacturing activities. However, these items are still subject to PCS tax, PC tax, STAT tax and TV tax.
- The importation, acquisition of bicycles, bicycle helmets and motorcycles helmets. However, these items are still subject to PCS tax, PC tax, STAT tax and TV tax.

Brazil

Resolution 13/2012 (*Resolução do Senado* 13/2012) which is due to come into force as of 1 May 2013, has unified the state VAT (*Imposto sobre a Circulação de Mercadorias e Serviços* — ICMS) rates that apply to interstate sales involving imported goods, after customs clearance procedures. The previous variable rates (7% or 12%) applicable on interstate sales have been unified into a single rate of 4% for transactions falling within the scope of the resolution. The unified ICMS rate applies to:

- Goods that are not subjected to any industrial process after customs clearance
- Goods that are subjected to an industrial process after customs clearance, provided that the resulting product price does not exceed 2.5 times the original price of the import. This ratio of import price to final product price must be verified by tax agents, according to procedures to be regulated by the National Council of Fiscal Policy (*Conselho Nacional de Política Fazendária* — CONFAZ)

The unified ICMS rate does not apply to transactions involving:

- Goods with no Brazilian national equivalent according to Council of Foreign Commerce Representatives (*Conselho de Ministros da Câmara de Comércio Exterior* — CAMEX)
- Basic Productive Process (Processo Produtivo Básico — PPB) products used by factories established in the free trade zone of Manaus or that are subject to other listed tax incentives
- Natural gas originating from foreign sources

Effective June 2013, companies must specify on invoices and receipts the taxes charged that are part of the total amount of the product sale price. Companies must list the amount of municipal, state and federal taxes levied for each product described on the invoice or receipt. Alternatively, such information may be displayed in plain view at the business establishment. Companies that fail to comply with this requirement will be subject to penalties, such as monetary fines, or the suspension or revocation of the license to operate.

Bulgaria

Effective 1 January 2013, the following VAT law changes apply:

- The limitation for the deduction of input VAT relating to hire cars, fuel for these vehicles and related maintenance services has been abolished.
- The place of supply for long-term rental or provision of vehicles to non-taxable persons is where the customer is established.
- The time of supply for continuous intra-Community supplies of goods, where the supply lasts for longer than one month, is at the end of each calendar month.
- The deadline for submitting a request for a refund of VAT incurred before VAT registration has been extended from seven to 45 days, upon the completion of the VAT registration procedure.
- Taxable persons are permitted to issue summary invoices covering several separate supplies of goods and services, provided that the VAT on the supplies mentioned in the summary invoice becomes chargeable in the same calendar month. A summary invoice should be issued no later than the last day of the month to which it refers.

Bulgaria (continued)

- A simplified VAT invoice has been introduced that contains less compulsory information. A simplified VAT invoice can be issued by taxable persons for supplies of goods and services if the amount of the invoice is less than €100 (including VAT). Simplified invoices may not be issued in the case of distance sales or intra-Community supplies of goods.

Effective 1 January 2013, the thresholds for INTRASTAT reports have increased BGN240,000 annually for intra-Community supplies — both dispatches and arrivals (previously the threshold was BGN230,000). The threshold for statistical declarations for dispatches is now BGN11 million (previously it was BGN9 million) and for arrivals it is BGN5 million (previously it was BGN4 million).

Burkina Faso

Effective 1 January 2013, imports of solar energy equipment are exempt from VAT and customs duties and domestic sales of such equipment are exempt from VAT.

Burundi

Effective 1 January 2013, the following changes apply:

- Agricultural assets are generally exempt from VAT.
- VAT paid on investment instruments is fully deductible.
- A zero VAT rate applies to international transport.
- VAT identification numbers have been introduced for taxable persons.
- Non-taxable persons may opt to be subject to VAT.

Canada

Prince Edward Island has announced that it will adopt the federally administered Harmonized Sales Tax (HST) effective 1 April 2013, with a 9% provincial component, for a combined GST/HST rate of 14%. The Comprehensive Integrated Tax Coordination Agreement between the Government of Canada and the Government (CITCA) of Prince Edward Island was signed on 23 November 2012. The CITCA provides the framework necessary for the implementation of the HST in Prince Edward Island and confirms the province's decision to eliminate the Provincial Sales Tax (PST).

Nova Scotia has announced that it will lower the provincial component of its HST rate from 10% to 9% effective 1 July 2014, and to 8% effective 1 July 2015.

Quebec has passed legislation which essentially implements measures announced on 31 May 2012 in Information Bulletin 2012–4 on the further harmonization of the QST with the GST/HST. The QST is a tax levied on goods and services in the province of Quebec, and is similar to the GST in Canada. Effective 1 January 2013, GST was removed from the QST base. However,

Canada (continued)

this was compensated by an equivalent increase of 0.475% in the QST rate – therefore the effective QST rate remains at 9.975%, and the combined effective GST/QST rate remains at 14.975%.

Effective 1 January 2013, the treatment of financial services for QST purposes changed from zero-rated to exempt, similar to the current rules under the GST/HST. Accordingly, all the specific rules regarding financial services under the GST/HST now apply to the QST. Financial institutions are not entitled to recover QST payable after 31 December 2012 for properties and services acquired for use in supplying exempt financial services. As a result, there is an additional QST cost for financial service organizations.

The province of British Colombia eliminated its provincial sales tax (PST) system on 1 July 2010 and opted into the federally administered HST system at the rate of 12% (5% federal GST and a 7% provincial component). However, effective 1 April 2013, the province is exiting the HST system and returning to a PST system. The Provincial Sales Tax Act (PSTA) received Royal Assent on 31 May 2012, and provides for the province's transition back to a PST effective 1 April 2013. The province has not simply re-enacted its old Social Service Tax Act (SSTA). The new PSTA is substantially different in form and structure from the SSTA, with broadened definitions of taxable services (now known as "related services"), telecommunication services (which now include the right to download, view or access information or images, such as online data, movies and music files) and separate rules for software. In addition, the province adopted a more detailed and complex structure for determining the purchase price and lease price, and also adopted the GST/HST timing rules with respect to the application of the tax. Transitional rules will apply to supplies that straddle the change and for real property owned as at 1 April 2013.

Cape Verde

The VAT rate applicable to restaurant services and to accommodations has increased to 15% (from 6%).

China

A VAT pilot has been implemented in Shanghai and Beijing since 1 January 2012 and 1 September 2012, respectively. According to Caishui [2011] No.71, the VAT Pilot has been expanded to the following locations progressively as set out in the table at right:

Location	VAT Pilot start date
Jiangsu Province and Anhui Province	1 October 2012
Fujian Province and Guangdong Province	1 November 2012
Tianjin, Zhejiang Province and Hubei Province	1 December 2012

China (continued)

The applicable VAT rates are:

- 17% for leasing of movable property
- 11% for the provision of transportation services
- 6% for the provision of modern services (other than lease of movable property)
- Zero for any other taxable services defined by the Ministry of Finance (MOF) and the State Administration of Taxation (SAT)

Non-resident companies and foreign entities that provide transportation and certain modern services under the VAT Pilot regime are subject to withholding VAT in China. Where an overseas entity or an individual provides taxable services in China, its agent must act as the VAT withholding agent. If the entity or individual does not have a domestic business office, the service recipient must act as the VAT withholding agent. The withholding VAT paid may be recovered as input VAT if the withholding agent or service recipient is registered as a general VAT taxpayer and has purchased the services for business purposes.

Until now, no announcement has been made about any upcoming legislative changes to come into effect for 2013. However, an expansion of the VAT Pilot to more locations and industries (e.g., postal and telecommunication, building and construction services) is expected to happen in the near future.

Colombia

Effective 1 January 2013, the number of VAT rates has been reduced from seven to three. The current rates are 0%, 5% and 16%; previously the rates were 0%, 1.6%, 10%, 16%, 20%, 25% and 35%. Items that were subject to the 20%, 25% and 35% rates are now subject to the 16% VAT rate plus excise tax.

Effective 1 January 2013, restaurant services (which were previously subject to the 10% VAT rate) have been removed from the scope of VAT. They are now subject to a new national consumption tax at a rate of 8%. The consumption tax also applies to mobile phone services (at a rate of 4%) and to the sale of certain goods such as yachts, boats and motorcycles (generally at an 8% rate). The new tax is not creditable against the VAT.

Effective 6 December 2012, a full refund is available for VAT paid by non-resident foreign tourists on the purchase of specific goods such as shoes, perfumes, emeralds and handicrafts.

Croatia

Effective 1 January 2013, the VAT rate of 0% (for items such as bread, milk, books, certain drugs, implants, scientific journals and public film screenings) was increased to 5%.

A new VAT Act is expected to come into force when Croatia joins the EU, currently scheduled for 1 July 2013.

In the meantime, some amendments to the General Tax Act have been adopted, including the following:

- Minimum invoice requirements have been introduced for cash transactions (aligned with the VAT Act) with the aim of harmonizing invoicing requirements for all business activities.
- All VAT payers must submit VAT returns electronically (previously, it was mandatory only for those with annual taxable supplies exceeding HRK800,000).

Curaçao

Amendments to the turnover tax (TOT) legislation will likely become effective in the course of 2013. These amendments are likely to provide for an exemption from TOT for the supply of goods related to the "primary necessities of life" (e.g., potatoes, vegetables, fruit) and impose a higher rate of 9% TOT on goods or services considered to be either luxurious or unhealthy.

Cyprus

Effective 1 January 2013, the INTRASTAT reporting thresholds have increased as follows:

- Intra-Community acquisitions €100,000 (Arrivals)
- Intra-Community supplies €55,000 (Departures)

In addition, special thresholds have been set at €1,850,000 annually for arrivals and €5,800,000 for departures

Effective 14 January 2013, the standard rate of VAT increased to 18% (it was previously 17%). Effective 13 January 2014, the standard rate will increase to 19% and the 8% reduced rate will increase to 9%.

Interest is charged at a rate of 4.75% annually on outstanding VAT amounts. This 4.75% interest rate applies to late payments of VAT. A penalty applies to late VAT registration, assessed at €85 for each month that the failure to register continues. Interest is also charged at the rate of 4.75% annually on the amount of outstanding VAT.

In accordance with EU Directive 2008/8/EU, effective 1 January 2013, the place of supply for the long-term hiring of means of transport to a non-taxable person is the place where the customer has its place of establishment. However, the place of hiring a pleasure boat to a non-taxable person is the place where the pleasure boat is actually put at the disposal of the customer, where this service is actually provided by the supplier from his place of business or a fixed establishment situated in that place. In addition to the above, effective 1 January 2013, the use and enjoyment rules apply to the long-term hiring of means of transport. The use and enjoyment rules do not apply if the recipient is an EU taxable person.

Czech Republic

Effective 1 January 2013, the standard VAT rate increased from 20% to 21% and the reduced rate increased from 14% to 15%. The increase in the VAT rates will apply until 31 December 2015, when a single uniform VAT rate of 17.5% will apply.

The following VAT legislative changes also apply with effect from 1 January 2013:

- In accordance with EU Directive 2008/8/EC, effective 1 January 2013, the place of supply for the long-term hiring of means of transport to a non-taxable person is the place where the customer has its place of supply for the establishment. However, the place of long-term hiring of a pleasure boat to a non-taxable person is the place where the pleasure boat is actually put at the disposal of the customer, where this service is actually provided by the supplier from his place of business or a fixed establishment situated in that place.
- In accordance with EU Directive 2010/45/EU, new rules apply regarding the rules on invoicing and archiving of tax documents. The new rules harmonize the rules governing invoicing and places paper and electronic invoices on an equal footing. The previous requirements for electronic invoices are being reduced and the duty to provide invoices with an enhanced electronic signature or to send them by EDI has been abolished. The customer's consent to electronic invoicing is still required, but in practice, this consent can be given in any form. The supplier and customer must ensure the authenticity of the origin, integrity of the contents, and the legibility of tax documents for the entire time they are archived. As well as through an electronic signature and EDI, this can be achieved by means of control mechanisms that create a reliable link between the tax document and the relevant supply.
- The contents of invoices have also been simplified. It is now sufficient to stipulate "reverse charge" if the customer has the tax liability, or "self-billing" if self-billing arrangements apply.
- A new definition of an establishment for VAT purposes has been introduced, based on the European Council's implementing regulation, which distinguishes between an active and a passive establishment (the latter only receiving supplies but not providing them).
- There have been changes in the rules governing the registration and deregistration of taxpayers. Also the concept of an "identified person" has been introduced into the VAT law.
- VAT payers may use the exchange rate published by the European Central Bank for invoice currency conversions, as well as that provided by the Czech National Bank.
- The extent to which postal services are exempt is restricted to basic postal services (in line with the Postal Services Act).
- The period after which the transfer of buildings, apartments and non-residential spaces is exempt from VAT is extended from three to five years. The three-year term will apply to transfers of real estate acquired up to the date when the amendment takes effect. There is also an option to apply VAT even for the lapse of the five-year period. Under transitional provisions, a VAT payer will be able to decide to apply output VAT even for the transfer of real estate acquired prior to the date when the amendment took effect.
- A timely unlimited VAT adjustment applies to buildings, flats and business premises that do not qualify as capital goods prior to their first use.

Czech Republic (continued)

- The scope of the exemption for insurance activities is restricted to the "provision of insurance" and the "provision of reinsurance" (previously, the VAT Law referred to "insurance or reinsurance activities"). Services provided during the settlement of insurance claims will no longer be exempt from VAT if provided separately.
- The provision relating to the guarantee for unpaid tax will now affect a far larger group of entities than previously:
  - Joint liability will apply to payments made to "unauthorized bank accounts" (bank accounts not published by the tax authorities) and to "unreliable suppliers" (a list of unreliable VAT payers will be published by the tax authorities).
  - The rules governing guarantees will also have an impact on authorized recipients who have a duty to report and pay excise duty in connection with the acceptance of selected products from another EU member state for another buyer.
  - The last change to guarantees involves transactions with a distributor of fuels who is not listed on the register of fuel distributors under the Fuel Act at the time that the transaction takes place. In this case, the customer must act as guarantor of the unpaid tax.
- Children's diapers and certain other health requirements that were taxed at a lower rate will be liable to VAT at the standard rate.

Effective 1 January 2014, it will be mandatory for VAT payers to submit VAT returns and other VAT-related reports electronically. However, electronic submission will not be mandatory for individuals with an annual turnover of less than CZK6 million.

Denmark

As a result of changes to the EU VAT invoicing rules effective 1 January 2013, the Danish invoicing rules have been amended specifically with respect to the following:

- Any invoice issued by the purchaser under a self-billing arrangement must mention the word "self-billing" or *selvfakturering*.
- VAT payers who apply a profit margin scheme for second-hand goods, artwork, collectibles and antiques or the margin scheme for travel agents and travel agencies must state this on the invoice and expressly mention that any VAT included is not deductible.
- The threshold for issuing a simplified invoice is raised from DKK750 to DKK3,000.

Effective 1 July 2012, any business registered for VAT that receives goods or services from a Danish supplier for an amount exceeding DKK10,000 (inclusive of VAT), where the payment for the supply is not made via a bank or payment provider that secures the identification of the payer and the recipient of the amount, is jointly liable for the VAT on the supply if the supplier has not correctly settled the VAT. If the payment cannot be made through such institutions the buyer may release himself of the liability by reporting the transaction to the Danish tax authorities within 14 days of payment and within one month of receipt of an invoice.

Denmark (continued)

Effective 1 January 2013, the Danish VAT Act requires that all building sites on private property where repair, modernization, reconstruction or construction of buildings take place must be marked by signs clearly stating which companies are working on the site, unless the contract amount does not exceed DKK50,000 or the work is completed within one working day. The signs may also be avoided if the construction site is a multi-story building in a closely populated area. Foreign businesses must include on the sign information that they are registered in the Danish Register for Foreign Service Providers.

Dominican Republic

In October 2012, the Dominican Government's economic commission formally presented a Proposal for the Reinforcement of the Government Tax Collection Capability for Sustainable Development, which includes a number of amendments to the *Impuesto a las transferencias de bienes industriales* (ITBIS) rules, including:

- A reduction in the tax rate on transfers of immovable property to 3%.
- The tax rate is due to be increase from 16% to 18% for financial years 2013 and 2014 but it will then decrease to 16% for financial year 2015.
- The tax base is due to be broadened by including goods and services that were previously exempted, such as coffee, sugar and cooking oils.
- New products that are not currently taxable are subject to rates that will increase year to year as follows: 10% for financial year 2013, 12% for financial year 2014, 14% for financial year 2015 and 16% for financial year 2016.

Ecuador

In 2013, certain financial services provided by private financial entities and credit card administrators are subject to the general VAT rate of 12% instead of at the zero rate (0%).

Estonia

Effective 1 January 2013, the following VAT changes apply:

- The place of supply for the long-term hiring of a means of transport to a non-taxable person is the place where the customer is established or resides (except for hiring a pleasure boat to a non-taxable person if the service is provided by the supplier from his place of business in Estonia).
- Taxable persons are obliged to issue an invoice for intra-community supplies of goods or services by the 15th calendar day following the month that the goods were dispatched or made available to the purchaser or the services were provided.
- The following terms must be included in tax invoices in appropriate cases:
  - "Reverse charge" if a domestic reverse charge applies or if Articles 194-199 apply
  - "Margin scheme — travel agents/ second-hand goods/works of art/ collector's items and antiques" in cases where special arrangements apply for calculating VAT.

European Union

The European Commission sought the views of EU businesses about VAT invoicing in 2008.[1] It found that the uptake of electronic invoicing and archiving by EU businesses was far lower that it had expected, with complex legislation and the many options available to the individual member states identified as the main stumbling blocks. The second directive on VAT invoicing (Directive 2010/45/EU)[2] was adopted on 13 July 2010, which aims to address these issues with a new set of harmonized rules (see Figure 1 on next page). The provisions of the directive must be applied by all 27 EU member states[3] with effect from 1 January 2013.

Under Directive 2010/45/EU, individual member states are no longer permitted to dictate the technology to be used to guarantee the authenticity of the origin and the integrity of the content of electronic invoices. Instead, the focus has shifted to businesses to guarantee the authenticity and integrity of invoices through internal business controls and technology.

However, the new directive does not harmonize the rules for the electronic archiving of invoices (see Figure 2 on next page). The location of the archive, the format in which the invoices must be archived and the archiving period are, therefore, still left to the discretion of the individual member states.

1. "VAT — Review of existing legislation on invoicing," European Commission, ec.europa.eu/taxation_customs/common/consultations/tax/article_5133_en.htm.
2. Council Directive 2010/45/EU, Official Journal of the European Union, 2010 (accessed via eur-lex.europa.eu).
3. Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom

European Union (continued)

Figure 1. Comparison of the previous and new rules related to authenticity

Previous rules	Directive 2010/45/EU new rules
Article 232: Invoices issued pursuant to Section 2 may be sent on paper or, subject to acceptance by the recipient, they may be sent or made available by electronic means. Article 233: Invoices sent or made available by electronic means shall be accepted by member states provided that the authenticity of the origin and the integrity of their content are guaranteed by means of: ‣ Advanced electronic signature ‣ Electronic data interchange (EDI) ‣ Other electronic means (if accepted by member state)	Article 232: The use of an electronic invoice shall be **subject to acceptance by the recipient.** Article 233: The **authenticity** of the origin, the **integrity** of the content and the **legibility** of an invoice, whether on paper or in electronic form, shall be ensured from the point in time of issue until the end of the period for storage of the invoice. Each **taxable person shall determine the way** to ensure the authenticity of the origin, the integrity of the content and the legibility of the invoice. This may be achieved **by any business controls**, which create a reliable audit trail between an invoice and a supply of goods or services. "Authenticity of the origin" means the assurance of the identity of the supplier or the issuer of the invoice. "Integrity of the content" means that the content required according to this directive has not been altered Other than by way of the type of business controls, the following **are examples** of technologies ‣ An advanced electronic signature ‣ Electronic data interchange (EDI)

Figure 2. Comparison of the previous and new rules related to storage

Previous rules	Directive 2010/45/EU new rules
Article 247: [Optional, TBD by member state] 1. Limitations as to the place of storage 2. Limitations as to the original format 3. Storage: non-harmonized period	1. Each member state shall determine the period throughout which taxable persons must ensure the storage of invoices 2. Member states may require that invoices be stored in the original form in which they were sent or made available, whether paper or electronic 3. The member state may lay down specific conditions prohibiting or restricting the storage of invoices in a country with which no legal instrument exists relating to mutual assistance

European Union (continued)

On 1 January 2015, the VAT rules on the place of supply of services will change for businesses supplying telecommunications, broadcasting or electronic services to EU private consumers (B2C supplies). VAT will become due where the customer is established or resident. Currently businesses established in the EU that provide these services charge VAT based on where the supplier is established.

As a result of the change, it is necessary to broaden the scope of the EU one-stop-shop registration scheme. The existing one-stop-shop scheme only applies to non-EU businesses supplying electronic services to EU consumers. The current scheme will be extended to cover telecommunications and broadcasting services. At the same time, it will also be extended to cover the same types of services supplied by EU businesses.

Businesses that provide electronic services to EU private individuals should start to anticipate the likely impact of these changes on their operations, reporting systems and pricing models.

Fiji

With effect from 1 January 2013, zero-rated supplies include the following:

- Any payment made by a donor agency in the form of a grant or donation received by the Government with the approval of the Minister of Finance in consultation with the Chief Executive Office of the Fiji Islands Revenue and Customs Authority, if it is deemed to be consideration for a supply of goods and services
- Any payment made by the Government from monies received in accordance with the above paragraph, paid directly to any contractor with the approval of the Minister of Finance in consultation with the Chief Executive Office of the Fiji Islands Revenue and Customs Authority

Finland

Effective 1 January 2013, the following changes apply;

- All VAT rates rose by 1%. As a result, the standard rate is now 24% and the reduced rates are now 10% and 14%.
- The annual late filing interest penalty is reduced from 20% to 15%.
- VAT on imports is levied only if the VAT amount is €5 or higher (previously €10).
- The long-term renting of means of transports to consumers (for vehicles lettings over 30 days, for boat lettings over 90 days) is taxed in the country of residence of the consumer.

Finland (continued)

To comply with Directive 2010/45/EU regarding the rules on invoicing, the following changes apply with effect from 1 January 2013:

- Rules have been introduced to determine which country's invoicing rules apply.
- There is no longer an obligation to issue invoices for advance payments for intra-community supplies.
- Simplified invoices may be used for transactions not exceeding a value of €400 (previously the limit was €250).
- For intra-community supplies of goods carried out in accordance with the conditions specified in Article 138 or for supplies of services for which VAT is payable by the customer pursuant to Article 196, an invoice must be issued at the latest by the 15th day of the month following the supply of goods or services.
- If the customer is liable for the payment of the VAT, the term "reverse charge" must be included on the invoice.
- If the customer receiving a supply issues the invoice instead of the supplier, the term "self-billing" must be included on the invoice.
- If a margin scheme applies, the term "margin scheme – travel agents" or "margin scheme – second-hand goods, works of art or collector's items and antiques" must be included on the invoice.
- The authenticity of the origin, the integrity of the content and the legibility of an invoice must be ensured until the end of the storage period of the invoice.

France

Effective 1 October 2012, the *répondant fiscal* mechanism was abolished. It allowed non-established businesses to register for VAT in France and account for French VAT on supplies made and recover VAT on purchases. This change, therefore, affects non-established businesses that are registered for VAT in France and their VAT-registered customers.

Effective 1 January 2013, the VAT rate applied to books and live performances (theater, circus and concerts) is reduced from 7% to 5.5%.

Effective 1 January 2014, France plans to increase its standard rate of VAT from 19.6% to 20%. On the same date, the 7% reduced rate (which currently applies to restaurants and digital books) will rise to 10%, and the 5.5% reduced rate (which applies to food) will be reduced to 5%. The middle rate will be increased from 7% to 10%. It is also possible that a 5% VAT rate will apply to supplies of digital books.

Gambia

Effective 1 January 2013, as part of a comprehensive tax reform, Gambia has introduced a VAT to replace the former sales tax. The standard VAT rate is 15%.

A zero rate applies to domestic sales of certain essential foodstuffs including rice, cooking oil, sugar and flour.

Germany

Effective 1 January 2013, the electronic submission of VAT returns is only possible with authentication.

Also effective 1 January 2013, the free port of Hamburg (*Freihafen*) is abolished. Until 2012, this free port zone was treated as a foreign territory for VAT purposes. It now forms part of the regular, domestic territory of Germany for VAT purposes.

Under new rules, which have applied, in theory, since 1 January 2012, a new standard of proof applies for intra-Community supplies. An intra-Community supply will only be accepted as zero-rated if a confirmation of arrival document (*Gelangensbestätigung*) is available. The confirmation must contain the following information:

- The name and address of the customer
- The amount and customary description of the supplied goods
- In the case of transport by the supplier or on behalf of the supplier or on behalf of the customer, the place and date of receipt of the delivered goods in another EU member state
- Or in case of transport by the customer itself, the date and place of the end of the transport in another EU member state

The German Federal Ministry of Finance (*Bundesfinanzministerium*, BMF) has issued a ruling with an example of the information required for confirmation of arrival in English, German and French. A new draft interpretative letter of BMF relating to the documentary and accounting evidence for intra-Community supplies has also been issued.

However, during a temporary grace period, documentary evidence of zero-rating can still be made under the old rules, which were valid until 2011. The period of grace will expire when the amended regulations become effective. It is expected that this will probably happen effective 1 October 2013.

Proposed amended regulations are intended to soften the impact of the stringent compulsory provisions of the VAT Implementation Ordinance, which has been valid since 2012 and provides that the confirmation of arrival is the only possible evidence in these cases. Under the regulations, other documentary proofs will probably be allowed.

The draft Annual Tax Act 2013 (*Jahressteuergesetz 2013*) contains a number of new regulations regarding the content of a VAT invoice. It has since become unlikely that the law will be enacted; however, it is expected that the following changes will be enacted sometime during 2013:

- If the recipient of a service issues a self-invoice, this must be indicated on the invoice using the word "*Gutschrift*" (self-invoicing).
- If the recipient of a suppy is liable to account for the VAT, under the reverse charge, the invoice must include the words "*Steuerschuldnerschaft des Leistungsempfängers*" (tax liability of recipient applies).
- For supplies that are taxable in Germany made by an EU taxable person who is not established in Germany and for which the reverse charge mechanism applies, the VAT invoicing rules of the EU member state where the supplier is established apply. This rule does not apply in the case of self-invoicing.
- Invoices for intra-Community supplies and for specific supplies and services subject to the reverse charge must be issued by the 15th day of the month following the month of the taxable event.

Guatemala

Governmental Agreement number 5–2013 introduced the new VAT Regulation, which came into effect on 9 January 2013. This new set of rules supersedes the Governmental Agreement No. 424–2006. Among other important changes, the new regulation establishes the following:

- A definition of the events that are treated as "first transfers" of immovable property.
- A requirement to include tips and gratuities in all invoices issued for the sale of goods or services.
- An express indication that taxpayers engaged in VAT taxable transactions are required to register formally with the tax authorities to obtain a tax identification number (*Número de Identificación Tributaria* or NIT). The tax authorities are empowered to require supporting documentation to register the taxpayer's fiscal domicile.
- The tax authorities may authorize the use of invoices for temporary establishments.
- Specific purchases are listed for which VAT credits are recognized for exporters and taxpayers that sell goods or services to exempt taxpayers.
- A chapter has been introduced for VAT withholding agents.

Honduras

Effective 29 October 2012, Decree 139–2012 amended Section 136 of the Honduran Tax Code, which establishes the statute of limitations as follows:

- Four years for taxpayers or responsible parties that have imported, exported or carried out any other operation under customs regimes
- Five years for taxpayers or responsible parties who are registered as taxpayers or who are not legally obliged to be registered
- 10 years for taxpayers or responsible parties that are obliged to be registered as taxpayers but are not registered as such
- 10 years if the taxpayer's returns hide data, facts or information to avoid the total or partial payment of a tax or the omission amounts to tax fraud

Hungary

A domestic VAT summary report has been introduced effective 1 January 2013. Mindful of the administrative burden that this report will create for VAT taxpayers, the Ministry for National Economy and the tax authorities are considering options to minimize the additional administration created by the measure while ensuring an appropriate level of efficiency for tax audits (e.g., by setting a threshold value for invoices or by selecting certain industries).

Hungary (continued)

Effective 1 January 2013, the threshold for individual VAT exemption has been raised from HUF5 million to HUF6 million

New rules enable small enterprises to apply cash accounting. Conditions for taxpayers to apply cash accounting include:

- Having a maximum annual turnover of HUF125 million (approximately €450,000) in the current tax year and in the previous tax year.
- Having a place of business, permanent address or usual residence in Hungary.
- The taxpayer is not subject to bankruptcy procedure or liquidation.
- The taxpayer has not been granted the individual exemption.

Most of the other changes in VAT law are primarily concerned with harmonizing Hungarian VAT law with EU Directives, e.g., on the place of supply of a service and the rules on invoicing. Changes that are effective 1 January 2013 include the following:

- The transfer of a business division will not give rise to a VAT liability if certain legislative conditions are met.
- Monthly invoices must be raised for periodic intra-Community supplies of goods if the supply lasts for more than one month.
- For intra-Community transactions, invoices must be issued by the 15th day of the month following the month of supply.
- For the purposes of converting foreign currency amounts shown on VAT invoices into Hungarian forints (HUF), the European Central Bank exchange rate may be used as well as that of the Hungarian National Bank.
- Paper-based and electronic invoices must be treated the same and the authenticity of the origin, the integrity of data content and legibility must be maintained for both types of invoices from the date of issuance to the end of the mandatory archiving period. There is no requirement as to how this criterion should be met.
- The customer's tax number or the VAT group tax numbers must be indicated on invoices if the VAT recharged reaches or exceeds HUF2 million (approximately €7,200) and the supplier is established in Hungary.
- The references "cash-based accounting" and "self-billing" must be indicated on invoices subject to these regimes. Taxpayers need only indicate "reverse charge" on invoices they issue for supplies subject to the reverse charge regime.
- For invoices issued in a language other than Hungarian, the above references can be indicated in the foreign language in question.
- The mandatory data content of invoices is extended to make the information contained on invoices uniform across the EU.
- Also in line with the directive, the application of electronic invoices is subject to the consent of the party receiving the invoice.
- As another step toward harmonization, the requirement for electronic invoices has been amended so that a qualified electronic signature may be used on electronic invoices instead of an advanced electronic signature and a time-stamp.
- The number of cases that are eligible for simplified invoicing has been increased. The data content of invoices may be simplified if the gross amount does not exceed €100.

Hungary (continued)

- The intra-Community leasing of long-term means of transport to non-taxable persons is taxable in the member state of establishment of the customer.
- Taxpayers are entitled to deduct the VAT charged on transactions that relate to supplies performed outside Hungary, if the VAT would be deductible if the supplies had been carried out in Hungary (e.g., VAT exempt international flights).
- For reverse charge transactions, taxpayers are entitled to report changes to deducible VAT in the same VAT return in which they must report the change to the payable VAT.
- The supply of immovable property is subject to a domestic reverse charge even if the creditor of the taxpayer appoints a third party as the buyer of the immovable property.
- 50% of the VAT amount is deductible for services related to the operation of passenger cars (e.g., repairs). The partial deduction ban does not apply to taxpayers that can prove that at least 50% of the consideration for the supply is included in the tax base of the consigned services or if the services are included in the tax base of the passenger car lease as direct expenditure.

Effective 1 April 2013, taxpayers that use cash registers must report the information stored in their machines with respect to receipts and cash turnover to the tax authorities. The tax authorities will be entitled to generate reports directly from the cash registers via telecommunications infrastructure.

Iceland

VAT on hotels and accommodations increased to 25.5% from the reduced rate of 7%.

India

The Central Government of India has proposed the introduction of a new GST to replace most of the state and central indirect taxes currently in force. Given that the GST is likely to have an impact on virtually every facet of business, companies operating in India should continue to monitor these developments carefully to prepare for the implementation of the new tax.

The new tax is planned to be a "dual" GST, consisting of Central GST (CGST) and State GST (SGST), and it will have a far-reaching impact on all sectors of the economy. Originally, the tax was to be introduced on 1 April 2010, which was later deferred. Given the political stalemate on the necessary amendments to the Constitution, it seems that the introduction of the new tax will be further delayed. Currently, no definite date has been announced for its implementation. In the past, there has been considerable disagreement between the Central Government and the states about various design issues, including the GST rates, the list of non-taxable items and the small-trader threshold. However, some progress has been made in recent months on a range of issues, including the tax rates, which are expected to be 12% and 20% for goods and 16% for services.

India (continued)

These rates are expected to converge to a single rate of 16% within three years of implementation.

The date of implementation of these changes is not yet available.

In the meantime, the service tax regime in India has undergone a major change with effect from 1 July 2012. Service tax legislation has moved away from taxation based on classification of services to taxation based on a negative list. Now, all services provided in the taxable territory are liable to service tax unless the service is mentioned in the Negative List of Services. Currently, 17 broad categories of activities are listed in the Negative List including: services provided by the government, trading in goods, manufacturing activity, the distribution of electricity, interest on loans, advances and deposits. In addition, a few "taxed" services have been exempted by way of specific notifications.

For these purposes, a "service" has been defined as any activity carried out by one person for another in return for a consideration. The following activities have been excluded from the definition: an activity that constitutes merely the transfer of title in goods or immovable property, transactions such as the transfer of a right to use goods that are deemed to be sales under the Indian Constitution, a transaction in money or actionable claim, services provided by an employee to his employer in the course of employment, and fees taken by legal courts or tribunals.

Any establishment of a person in the taxable territory and any of that person's establishments in a non-taxable territory are now treated as establishments that belong to different persons (previously, this rule was restricted to an Indian branch or head office receiving services from its overseas office). An "establishment" is understood to be a business carried out through a branch, agency or representative office. Accordingly, a branch or establishment or a representative office in India must be treated as a distinct entity from its head office or any establishment outside India. Therefore, any service provided or received by the head office may attract service tax in India, depending on the place of supply rule for the service. Specific rules have been introduced to determine the place of supply for international services. Generally, if the place of supply is outside India and the payment is made in a convertible currency, the services are likely to be treated as "exported." This treatment could allow a refund of input taxes for related expenses.

Along with these changes, it is expected that the filing period for periodic service tax returns will be changed from biannual to monthly or quarterly intervals. The Central Government has also proposed integrating the service tax returns and excise returns.

Ireland

With effect from the VAT return period for January and February 2013, Irish VAT registered traders are required to include values pertaining to the following on their VAT returns:

- Supplies of services supplied from Ireland to other EU member states (contained in a new box ES1)
- Supplies of services received into Ireland from other EU member states (contained in a new box ES2)

These values were not previously required on Irish VAT returns.

Ireland (continued)

Along with these VAT reporting developments, there have been a number of recent announcements, publications and items of legislation that have an impact on Irish VAT, including the following:

- The 2013 Irish Budget referred to an increase in the threshold to use the cash receipts basis of accounting for VAT from €1 million to €1.25 million with effect from 1 May 2013.
- The Irish tax authorities have published important clarifications in terms of the entitlement of traders to obtain the VAT56 (formerly VAT13A) certification, which allows qualifying traders to purchase most goods and services free from Irish VAT.
- Along with other EU member states, Ireland has introduced new VAT invoicing rules effective 1 January 2013, with the objective of simplifying, modernizing and harmonizing the VAT invoicing rules and in particular eliminating the historical barriers to e-invoicing.

Israel

Effective 1 September 2012, the standard VAT rate increased from 16% to 17%. The VAT registration threshold is reduced to annual turnover of LIS76,884 (from LIS100,000).

Effective 1 January 2014, an online detailed digital report is required for all taxable persons, regardless of their level of annual turnover (previously this requirement related to taxpayers with an annual turnover in excess of LIS2.5 million or that used the double-entry bookkeeping system).

The fine for late submission of a mandatory report is increased to LIS212 for every two weeks of tardiness (from LIS204).

The Palestinian Authority and the Government of Israel have concluded negotiations for arrangements regarding the transfer of goods between their territories and the related tax clearance mechanism procedures. Effective 1 January 2013, the new indirect taxes clearance mechanism (which applies to VAT, purchase taxes and import taxes) is based on the actual transfer of goods between Israel and the Palestinian Autonomous Areas; previously such tax clearances were based on the reported transfer of goods. The new measures will be monitored by a joint team from Israel and the Palestinian Autonomous Areas.

Italy

Effective 1 January 2013, the changes introduced by the Council Directive 2010/45/EU, amending Directive 2006/112/EC with regard to the rules on invoicing and on cross-border transactions, have been implemented in the Italian VAT law. The most significant changes will affect the rules pertaining to invoicing and the time of issuance of invoices. The major change concerns electronic invoices. Under the new rules electronic invoices and paper invoices will be placed on an equal footing, and the authenticity of the origin, the integrity of data content and legibility should be preserved from the date of issuance to the end of the mandatory archiving period.

Italy (continued)

- The requirements for content of the invoice have changed as follows:
  - The invoice must contain a sequential number.
  - The invoice must include the VAT number of the customer if the latter is a taxable person established in Italy, or the VAT identification number in the EU member state of establishment if the customer is established in the EU, or the fiscal code if the customer is a non-taxable person resident or domiciled in Italy.
  - References to self-billing or to the reverse-charge mechanism must be indicated on relevant invoices.
  - For the purpose of converting foreign currency, the exchange rate published by the European Central Bank can be used.
- With reference to the issuance of the invoices:
  - Invoices must be also issued for transactions that are outside the scope of Italian VAT and, with the exception of exempt financial and insurance transactions, invoices issued to a taxable person established in another EU member state should mention "reverse charge," while those issued to taxable persons established in a non-EU country should mention "outside the scope of VAT."
  - For transactions with a consideration not greater than €100 (that may be increased up to €400) a simplified invoice may be issued. However, a simplified invoice cannot be issued for distance sales and intra-Community supplies of goods and supplies to taxable persons liable for the payment of VAT in another EU member state through the reverse charge.
  - For services supplied in the same month to the same customer, the supplier can issue a single invoice by the 15th day of the month following the month when the transactions were carried out, reporting the detail of each single transaction.
  - For services supplied to a taxable person established in another EU member state (B2B), invoices may be issued by the 15th of the month following the month of supply; the same rule applies for services supplied to a taxable person established in a non-EU country.
- The time of supply for intra-Community transactions of goods is the date when transport or dispatch from the member state of departure starts.
- For intra-Community supplies of goods, advance payments do not trigger a taxable event. The invoice must be issued by the 15th of the month following the month of supply.
- For intra-Community acquisitions of goods, the invoice must be recorded by the 15th of the month following the month of receipt but with reference to the previous month.

A cash-accounting scheme can be opted for, under specific circumstances, by taxpayers whose turnover is not higher than €2 million annually, calculated with reference to supplies of goods and services subject to VAT made to taxable persons. Under such regime:

- For the supplier, VAT is due when it is paid by the customer (and in any case not later than one year from the date of supply). VAT on purchases is recoverable when it is paid.
- A VAT payer who purchases goods or services from a supplier that has opted for the cash-account regime can deduct the relevant input VAT when the transaction is deemed to be performed for VAT purposes, notwithstanding the payment has not been made yet.

Effective 1 July 2013, the Italian standard VAT rate is due to increase to 22% from the current 21%. Despite previous indications, the Government decided not to change the provisions related to the reduced 10% and 4% rates. However, depending on the budgetary situation, the standard VAT rate increase may be abolished by the new Government, which will be formed following the general election to be held in February 2013.

Jamaica

Effective 1 June 2012, the GCT standard rate was reduced from 17.5% to 16.5%. At the same time, a number of previously exempt items became taxable at the standard rate including eggs, biscuits, flavored milk, condensed milk, animal feed and pet food, and live birds and fish.

Japan

The consumption tax (CT) rate will increase from the current 5% (made up of national tax 4% and local tax 1%) to 8% (made up of national tax 6.3% and local tax 1.7%) effective 1 April 2014, and to 10% (made up of national tax 7.8% and local tax 2.2%) effective 1 October 2015. The CT Reform includes a flexible clause that states that the expected consumption tax rate increase may be suspended if the increase is not appropriate, given Japan's overall economic condition.

The 5% tax rate will continue to apply to the transfer of assets on or after 1 April 2014 if the transfer is pursuant to a construction contract that was concluded before 1 October 2013.

Under the current CT regime, a newly established company is generally exempt from CT for the first two fiscal years if the company's registered capital is less than JPY10 million. Under the CT Reform, a newly established company will be subject to CT for the first two fiscal years, regardless of its registered capital to the extent that a controlling person (e.g., a company holding more than 50% of equity interest of the newly established company) or a related company has taxable sales in Japan exceeding JPY500 million This treatment applies to companies established on or after 1 April 2014.

Jersey (Channel Islands)

Effective 1 September 2012, a GST Visitor Refund Scheme has been introduced for a 12-month trial period, with the aim of stimulating sales in the retail and travel industries. Refunds are available for eligible visitors to Jersey who buy items costing more than £300 from a participating retailer in one day. Goods must be exported within one month of purchase. Supplies of services (e.g., accommodations, vehicle rentals, catering or tour services) and the supply of means of transport, fuel and consumed goods cannot be included in the scheme.

As an alternative to GST registration, businesses in the financial services industry that predominantly serve non-resident clients, may opt, upon payment of an annual fee, to be listed as International Services Entities (ISEs) to reduce their compliance and administrative burden. The annual fee may vary, depending on the structure and the size of the business.

Jordan

Financial transactions undertaken or carried out by individuals transferring funds out of the Kingdom of Jordan are excluded from GST exemptions.

As a result of this amendment, all fees incurred or paid by individuals relating to the transfer of funds out of Jordan will be subject to GST at 16%.

Kenya

During the June 2012 Budget there were no major amendments in the VAT Act. Instead, the Minister of Finance introduced the VAT Bill 2012, which, at the time of writing, is yet to be enacted. Since the country is in an election period, any legislative changes are likely to be enacted after 1 January 2013. The proposed key changes in the VAT Bill 2012 are as follows:

- Registered persons will not be required to account for reverse charge VAT for exempt supplies.
- Deduction of input tax previously restricted (such as on furniture, taxable supplies for use in staff housing, entertainment expenses incurred away from home for business purpose) is now admitted.
- Registered persons supplying both taxable and exempt supplies will be permitted to claim input tax in full if their exempt supplies constitute less than 10% of their total turnover. The current threshold is 5%.
- Tax payers may apply to the Commissioner for extension for a period of filing their VAT returns.
- An appeal will be deemed to be accepted if the Commissioner does not respond within 60 days.
- Advance private and public rulings for taxpayers were introduced.
- The withholding VAT system will be abolished.
- A certified copy of an original tax invoice will be recognized as valid.
- Zero rating will apply to all supplies to oil and gas exploration companies and those with a prospecting license.
- Zero rating will apply to the transfer of a business as a going concern.
- Non-resident suppliers who expect to make taxable supplies without a fixed place of business in Kenya will be required to appoint a tax representative.
- The reduced VAT rate of 12% will no longer apply to supplies of electricity and heavy diesel fuel.
- The Cabinet Secretary is empowered to vary the tax rate by a maximum of 25% of the current rate.
- Debit and credit notes will be required to be issued within a period of six months (previously this was 12 months).
- Provisions for VAT remission have been abolished.
- The period for claiming input tax will be reduced from 12 to three months.
- Taxpayers will be required to pay 30% of the amount of tax in dispute before lodging an appeal to the VAT Tribunal.
- Most of the goods that are liable at the zero VAT rate will be taxable at the standard rate. The remaining zero rated goods will be moved to the standard rate over a transition period of three years.
- Several organizations will be stripped of their zero-rated status.
- Some exempt goods and services will be taxable at the standard rate. Some of the remaining exempt goods will become taxable during a transition period of three years, commencing from the date of enactment.

Latvia

Effective 1 January 2013, a new VAT Law has come into effect in Latvia. The new VAT Law does not change the basic principles of the application of VAT; however, it introduces a new structure to the law, provides more detailed regulation in the field of VAT and harmonizes certain provisions with the EU VAT Directive, including the following:

- Amended provisions are introduced with respect to invoicing, in line with Directive 2010/45/EU.
- Amended definitions apply for certain terms, to comply fully with by Council Directive 2006/112/EC on the common system of VAT (such as the definition of taxable person, business activities, intra-Community supply and acquisition of goods, taxable value, self-consumption and triangular transactions).
- Amended provisions apply with respect to input VAT deduction. Partially exempt taxable persons must apply separate VAT accounting to allocate input tax to taxable and exempt supplies. The use of a pro-rata calculation is allowed only in cases where separate accounting cannot be introduced.
- Provisions have been adopted relating to small-value gifts and related input VAT deduction.
- An option to tax has been introduced for the supply of used real estate supplied to VAT taxable persons.
- It is now possible to avoid making an input VAT adjustment in the case of theft or loss of goods.
- Amended provisions apply with respect to the VAT registration requirements for persons established outside the territory of the EU.
- The law specifies certain cases when VAT registration is not obligatory.
- A tax representative must be appointed for VAT purposes for any person from outside the EU applying for a VAT registration in Latvia. Direct VAT registration by non-EU traders is not allowed.

Lithuania

The Lithuanian Law on VAT has been amended with respect to invoicing, in line with the provisions of EU Directive 2010/45/EC. These changes entered into effect on 1 January 2013. The Lithuanian law does not differ substantially from the directive, and there are no major local provisions.

Effective 1 January 2013, the following changes apply:

- A 9% reduced VAT rate applies to supplies of newspapers, magazines and other periodicals, as well as to passenger transport on regular routes approved by the Ministry of transport or other competent authority. A 5% reduced VAT rate applies to technical support for disabled people.
- Taxable persons who are not registered for VAT purposes can recover input VAT incurred on the acquisitions of goods and services prior VAT registration if the goods and services are used for taxable activities.
- Input VAT may be recovered on services and goods acquired before an entity was registered as a VAT payer. Special rules and procedures apply.

Lithuania (continued)

Effective 1 March 2013, the Lithuanian tax authority will control payments of VAT on imports and the postponed accounting system for imports made by taxable persons will come into full operation. Until 1 March 2013, the import VAT calculation and settlement are controlled by the Lithuanian customs authority. Any import VAT has to be paid to the Lithuanian customs authority, whereas import VAT deduction is granted by the Lithuanian tax authority. Effective 1 March 2013, import VAT will be calculated by the Lithuanian customs authority, but the import VAT payable will be included in the VAT return and may be deducted, subject to the general principles of VAT deduction, in the same taxable period.

Luxembourg

Effective 1 January 2013, in line with article 4 of Directive 2008/8/EC and Directive 2010/45/EU, new rules on invoicing apply. At the time of writing, the law implementing the invoicing directive has not yet been voted on by the Luxembourg Parliament; therefore, the new rules are not yet implemented into the Luxembourg VAT law. However, we anticipate that once the vote has taken place, the law will apply the new rules retroactively.

VAT payers, including non-resident VAT payers, who are required to file Luxembourg VAT returns on a monthly or quarterly basis, must submit all their VAT returns and EC sales listings for goods and services using the Luxembourg VAT authorities' electronic portal (known as "eTVA"). Therefore, these VAT payers are no longer permitted to file reports in hard copy. This obligation applies to returns and EC sales listings relating to periods after 31 December 2012. However, electronic filing is not obligatory for taxpayers who file VAT returns on an annual basis.

Macedonia

VAT return forms and the tax balance sheet must be submitted electronically. For taxpayers who file VAT returns monthly, this change applies with effect from 1 January 2013; for taxpayers who file VAT returns monthly, this change will apply with effect from 1 July 2013.

Small shipments sent from abroad by individuals, as well as shipments of small value delivered from abroad, are exempt from VAT if the total value of the shipment is €22 or less. This exemption does not apply to tobacco and tobacco products, alcohol and alcoholic beverages, or perfumes and related products.

Malta

Effective 1 January 2013, in line with article 4 of Directive 2008/8/EC and Directive 2010/45/EU, new rules on the place of supply of hiring of means of transport and pleasure boats and new rules on invoicing have been implemented in the Maltese VAT legislation.

The VAT exemption for diesel purchased by fishermen for fishing purposes will be extended to 2013.

Mauritius

Effective 1 April 2013, the annual VAT registration threshold will be MUR4 million instead of MUR2 million. VAT registration is mandatory for persons who make supplies listed in the Tenth Schedule to the Value Added Tax Act 1998 (for example, consultancy), irrespective of the level of their yearly turnover of taxable supplies, so they are unaffected by this measure.

The transitional provisions provide that if a person ceases to be registered on 1 April 2013 on the grounds that its annual turnover of taxable supplies does not exceed or is not likely to exceed MUR4 million, any excess VAT on the VAT return for the last taxable period will not be refundable. Instead, it will be be deemed to be VAT on trading stocks held and it cannot be carried forward as a VAT credit.

When a taxable person ceases to be registered for VAT, it must account for output tax on all goods forming part of the assets of the person held at the time that the registration is canceled. This provision now extends to vehicles, vehicle spare parts and accessories, including motor cars and other motor vehicles for the transport of not more than nine persons, motorcycles and mopeds, for own use or consumption. Output tax should be accounted on these assets, even though the input tax was not claimed on their acquisition. This measure effectively repeals an amendment made in 2002.

The requirement to keep and maintain business records for a minimum period of one year no longer applies if a person wants to register for VAT on a voluntary basis.

Effective 25 October 2012, minted gold bars imported, purchased or offered for sale by the Bank of Mauritius are exempt from VAT. The following supplies are also exempt from VAT effective 10 November 2012:

- Food preparations for infant use put up for retail sale (H. S. Code No. 1901.10)
- Colostomy bags and disposable urine bags
- Entrance fees to cinemas, concerts and shows
- Cinematographic films, including royalties

Effective 21 December 2012, the exemption for goods imported by post with (under item No. E11) has been increased from MUR1,000 to MUR2,000. From the same date, the exemption on health services has been extended to residential care home services providers registered with the ministry of social security.

The scope of the exemption has also been extended to any improvement or repairs of a capital nature for the National Housing Development Company Ltd.

The tax authorities must make refund of VAT within seven days of the date of receipt of a claim for a repayment and the VAT return, provided that all the following conditions are satisfied:

- The claim relates to fittings, equipment and furniture (the "relevant assets") used in a shop, restaurant or other retail outlet but should not be used by a supermarket or hypermarket.
- The relevant assets must be acquired by the person.
- The relevant assets must be used for the purpose of a renovation.
- The VAT should be at least MUR10 million.
- The status of the purchaser should be confirmed by the Board of Investment.
- The claim for repayment and return should reach the tax authorities on or before 31 December 2014.

Any taxable supply made by a holder of a freeport certificate to a person in Mauritius outside the freeport zone will be deemed to be imported goods and VAT will be chargeable on the goods.

Mauritius (continued)

The refund provision for non-taxable persons has been amended so that the VAT on defective goods can still be claimed as a refund even if the goods have not been subsequently exported under customs control. Furthermore, the amending laws provide that the refund will apply if the goods have been damaged, pilfered, lost or destroyed during the voyage. Also, if the goods have been ordered to be destroyed as being unfit for consumption the refund can still be claimed. A refund is also possible in the event that the goods are found to be defective, obsolete or not according to specifications and are subsequently exported in accordance with section 23(1A) of the Customs Act.

The scope of the VAT refund scheme introduced in 2011 has been widened as follows:

- The qualifying asset should be purchased or acquired by 31 December 2013, instead of 31 December 2012.
- For the year ending 31 December 2013, the scheme has been extended to a baker, other than a hypermarket or supermarket. The qualifying assets dough mixer, dough hopper and pre-portioner, dough divider.

Moldova

Effective 1 January 2013, the following changes apply to the VAT law:

- The VAT exemption granted for fixed assets contributed into the share capital of a company no longer applies.
- The VAT rate for supplies of sugar beet, natural crop and horticulture and animal production has increased from 8% to 20%.
- The VAT rate for natural gas and liquefied gas has increased from 6% to 8%.
- Specific mechanisms related to VAT refunds have been approved for supplies of crops, horticulture and animal production, as well as for capital investments related to motor vehicles for the transportation of people.

Netherlands

Effective 1 October 2012, the Dutch VAT rate increased from 19% to 21%. The VAT rate for theatre and concert tickets has been reduced to 6%.

Effective 1 January 2013, changes apply to the rules for invoicing requirements. For example, it is now compulsory to include the standard term "*btw verlegd*" on invoices if the reverse charge applies (i.e., in cases where the customer is liable for the payment of the VAT).

In accordance with EU Directive 2008/8/EC, effective 1 January 2013, the place of supply for the long-term hiring of means of transport to a non-taxable person is the place where the customer has its establishment. However, the place of hiring a pleasure boat to a non-taxable person is the place where the pleasure boat is actually put at the disposal of the customer, where this service is actually provided by the supplier from his place of business or fixed establishment in that place.

New Zealand

Effective 4 June 2012, the administrative penalties regime under the Customs and Excise Act 1996 has been extended. GST errors are now liable for penalties under this regime. A graduated system of penalties now applies, ranging from NZD200 to NZD50,000.

The Taxation (Livestock Valuation, Assets Expenditure, and Remedial Matters) Bill was introduced on 13 September 2012. The bill contains proposed GST amendments that are intended to allow non-resident businesses to register and claim input tax deductions in a broadly similar manner to a comparable New Zealand resident business. Remedial changes also apply. The proposed amendments relevant to non-residents include the following provisions:

- Currently, GST input tax is recoverable if a non-resident is making taxable supplies in New Zealand and is registered for GST. New rules are being introduced to allow a non-resident to recover input tax credits without having to make taxable supplies in New Zealand. They are expected to come into effect on 1 April 2014. The ability to recover input tax is subject to the following conditions:
  - The non-resident is registered for a consumption tax in their country of residence.

    Or
  - If no consumption tax system is in place, the non-resident carried on a taxable activity offshore with a turnover exceeding NZD60,000.
  - The input tax in New Zealand for the first period of registration is more than NZD500.
  - The services are not received in New Zealand by non-registered persons.
- It is proposed to disallow GST grouping for non-residents grouped with resident companies, effective 13 September 2012 (the date of the introduction of the bill). The Commissioner has powers to retrospectively split GST groups into resident and non-resident entities after this date. The purpose of the amendment is to allow transparency for activities carried on by non-residents in New Zealand.
- For the purpose of calculating input tax recovery, the new rules require non-residents to treat their worldwide supplies as if they were made and received in New Zealand. Accordingly, a non-resident's ability to claim input tax depends on the proportion of its supplies that would be subject to GST under New Zealand's domestic GST system, compared with the non-resident's total worldwide supplies.
- The following remedial changes are also proposed:
  - Non-residents may only register for GST on a payments basis. This is to prevent input tax being claimed on the basis of an invoice on which no payment is made.
  - The Inland Revenue can hold GST refunds for up to 90 days to establish whether a refund claim is valid. The current time frame is up to 15 days.
  - The Commissioner is not required to pay "use of money" interest on any GST refunds held during the 90-day period.
  - The Commissioner is given powers to deregister non-residents under specific circumstances (e.g., non-compliance).
- Effective from the date of enactment of the bill, a proposal has been made to effectively allow an agent to opt out of the agency rules and treat the supplies received and made on behalf of the principal as being received and made by the agent in a principal capacity. This means that two tax invoices can be issued for a supply made by an agent on behalf of the principal (one invoice from the principal to the supplier, and another from the agent to the customer). The principal will declare output tax with respect to the tax invoice issued to the agent, and the agent will declare output tax with respect to the tax invoice to the recipient and claim input tax with respect to the output tax charged by the principal.

Nicaragua

The revised Tax Law (822 (*Ley de Concertación Tributaria*) was published in the Official Gazette No. 241, dated 17 December 2012. This new law came into force on 1 January 2013. The most important VAT changes can be summarized as follows:

- Taxable events include the sale of goods, the import and nationalization of goods, the exports of goods and services, and the rendering of services and the use or enjoyment of goods.
- The standard rate of VAT is 15%.
- Exports of services and locally produced goods are zero-rated (0%).
- If a service is rendered or the use or enjoyment of goods is provided or granted by a resident individual or legal entity that is not a VAT payer, the taxpayer is required to apply a VAT withholding.
- Financial services are exempt from VAT, including services directly related to finance, including interest derived from financial leasing agreements.

Nigeria

Effective 1 January 2013, a zero-rate VAT applies to imports of commercial aircrafts and aircraft spare parts and to imports of machinery and equipment used in the solid minerals sector. This will take effect subject to the administrative and legislative processes required to pass the amendment into law.

Norway

Effective 1 January 2013, the following changes apply:

- Foreign entrepreneurs providing transport services directly to and from Norway are not obliged to register for VAT, but they are entitled to receive a refund of VAT paid on purchases of goods and services in Norway.
- The VAT zero-rating for the supply of services relating to public roads and railways has been abolished.

Palestine

The Palestinian Authority increased the standard VAT rate from 14.5% to 15.5% effective 1 September 2012. However, the standard VAT rate decreased from 15.5% to 15% effective 1 October 2012.

Panama

Law 52 of 2012 deems a number of domestic taxpayers to be similar to exporters and allows them similar privileges for input tax deduction. This applies to taxpayers whose business is to manufacture food, pharmaceutical or medical products for human consumption, as well as entities dedicated to the agricultural or agro-industrial sector with revenues greater than US$300,000. Input VAT was previously an expense for these taxpayers; as they do not charge VAT on their sales they could not offset VAT charged on expenses. However, these entities may now take the input VAT and credit it against income tax installments.

Paraguay

Effective 1 November 2012, companies have been designated as withholding agents for VAT purposes. These taxpayers must do all of the following:

- Withhold and pay VAT
- Issue vouchers for the tax withheld
- File a monthly tax return, including information related to purchases, sales and taxes withheld
- Report the information electronically

Peru

Effective 1 August 2013, the transfer pricing rules will no longer apply for VAT purposes. For unclear or doubtful transactions between related parties, the tax administration may adjust the amounts of the transactions considering the fair market value. However, under the amendment, price adjustments due to the application of transfer pricing methods do not determine the fair market value for VAT purposes. This is a major change as the transfer pricing rules were applicable for income tax and VAT purposes since they were introduced in 2001.

Philippines

On 31 October 2012, the Bureau of Internal Revenue issued Revenue Memorandum Circulars (RMC) No. 64–2012. The main provisions of RMC No. 64–2012 include the following measures:

- In addition to income and withholding taxes, a professional person is liable to VAT of 12% if his gross receipts or professional fees for the previous 12 months exceed PHP1,919,500 or if gross receipts for the next 12 months will exceed this threshold.
- In applying the threshold, a husband and wife are considered to be separate taxpayers; however, each taxpayer's income is aggregated.
- A professional who is not registered for VAT is liable to the percentage tax at a rate of 3% if his gross receipts for the past 12 months were equal to or below the threshold. If the professional is VAT-registered, then he is liable to VAT upon VAT registration and the percentage tax does not apply, regardless of the amount of gross receipts.

Poland

A number of VAT law changes apply for 2013. Many of the changes are aimed at aligning the Polish VAT law with EU legislation.

Effective 1 January 2013, the changes include the following measures:

- The provisions concerning the bad debt allowance have been amended to speed up payments for goods and services.
- Down payments received for VAT-exempt intra-Community supplies of goods are not taxable.
- Electronic invoicing may be used if business controls create a reliable audit trail between the invoice and the supply of goods or services.
- Self-invoicing rules have been simplified and third-party billing rules have been introduced.
- The exchange rate of the European Central Bank may be used for foreign currency invoices.
- Simplified VAT invoices may be issued if the value of the supply does not exceed €100 or PLN450.

Effective 1 April 2013, the changes include the following measures:

- The definition of the terms "importation" and "exportation" have been amended to reflect Poland's membership in the EU.
- New definitions of the terms "building premises" and "samples" have been introduced to ensure conformity with the EU VAT Directive.
- New rules for reverse-charged supplies of goods will be introduced.
- The definition of the term "taxpayer" has been amended to reflect EU law
- Slight changes apply to the rules that define the conditions for appointing a VAT representative, his functions, etc. Additionally, an option has been introduced for non-resident importers of goods that are to be exported to the territory of another EU member state (transit arrangements) to appoint a VAT representative in Poland.
- Favorable changes have been made to the conditions for zero-rating intra-Community supplies.
- New rules apply for the taxation of down payments in exportation. The Polish VAT law stipulates that, as a general rule, domestic supplies of goods performed by businesses not established in Poland fall under the reverse charge rules if the supply is made to another taxable person established in Poland. Under the current provisions, the reverse charge still applies if the supplier is established outside Poland but has a Polish VAT number. Under the new rules, the supplier cannot register for VAT purposes in Poland to apply the reverse charge. In other words, if the foreign supplier is VAT-registered (for whatever reason), it will not be able to apply the reverse charge scheme to domestic supplies of goods in Poland.
- Based on the amended wording of the VAT Act, in chain transactions the delivery conditions of the supply will be decisive when transport is allocated to one of the supplies. In particular, for example, it will be clear that if the Incoterm "ex works" is used, any foreign entity participating in the supply will be required to register for VAT in Poland.
- The VAT exemption for non-public postal services provided by Poczta Polska has been abolished. These services will be subject to the standard VAT rate of 23%.
- The VAT rate for arts and crafts has increased from 8% to 23%.

Further substantial VAT law changes are expected to come into effect on 1 January 2014.

Portugal

Effective 1 January 2013, a number of changes apply aimed mainly at aligning the VAT law to EU directives and at combating tax evasion. The changes include the following measures:

- The place of supply for hiring of means of transport, other than a short-term hiring, supplied to non-taxable persons is the place where the customer is established, has his permanent address or usually resides.
- The time of supply for intra-Community supplies of goods carried out continuously for a period exceeding one month is the end of each month.
- The use of electronic invoicing by taxable entities has been simplified by allowing methods other than the advance electronic signature, or the EDI system.
- The rules have been standardized at the EU level for the elements and comments that must be included on VAT invoices; consequently several changes have been introduced in Portugal regarding the content of invoices.
- A maximum deadline for the issuance of invoices for intra-Community services if VAT is due in the member state of the acquirer has been introduced. In these cases, the invoice must be issued at the latest by the 15th day of the month following that in which the taxable event occurs (when the service was rendered).
- Simplified invoices may be used for supplies of goods made by retailers to non-taxable persons, if the amount of the invoice is less than €1,000, and for other supplies, goods and services if the amount does not exceed €100. An invoice must be issued for all supplies of goods or services made in the Portuguese territory (regardless of the acquirer's VAT status).
- The VAT invoice is now recognized as the only valid document permitted to support any taxable transaction, for VAT purposes.
- A new rule aimed at combating VAT fraud and evasion allows certain taxpayers to deduct, personal income tax purposes, 5% of the VAT incurred on certain expenses by any member of the household, up to global limit of €250. Initially, the VAT paid must relate to certain business sectors (e.g., the maintenance and repair of cars and motorcycles, hotel and restaurant bills and hairdressing). This tax incentive may be extended in the future to other business sectors.
- Moreover, effective 1 January 2013, all Portuguese taxpayers (i.e., Portuguese companies, or foreign companies with a permanent establishment in Portugal) must communicate by electronic means to the Portuguese Tax Administration relevant data of the invoices issued during a particular month, at the latest on the 25th day of the subsequent month.
- Finally, important changes have been introduced regarding the procedure for recovering the VAT on bad debts. In particular, for credits overdue effective 1 January 2013, it will be possible to recover the VAT related to debts for taxable operations that grant the right to deduction regardless of the amount of the debt and provided that the debt is overdue for at least 24 months. In this case a certificate issued by an Official Chartered Accountant is required, and the taxpayer must submit an authorization request to the Portuguese Tax Administration before performing the VAT adjustment.

Romania

Effective 1 January 2013, a cash accounting regime has been introduced. Taxable persons (i.e., persons who are VAT-registered in Romania and have their place of economic activities in Romania) with a turnover of RON2,250,000 or less in the previous calendar year must account for VAT at the time of payment for the supply (on the cash basis), but no later than 90 days after the invoice date, if the consideration is not paid. Input VAT may be deducted only when invoices are paid (this deduction rule applies both to persons that apply this scheme and to persons that do not apply it but make acquisitions from persons that apply the scheme). Details of the cash accounting scheme include the following:

- Cash accounting applies to taxable persons registering for VAT in the current year and taxable persons who did not apply the VAT cash accounting scheme during the previous year but who have exceeded the threshold of RON2,250,000 during the current year. Also taxable persons whose turnover incurred during the period 1 October 2011 to 30 September 2012 was below the threshold must apply the VAT cash accounting scheme as of 1 January 2013.
- The turnover for computing the RON2,250,000 threshold is made up of the total value of taxable supplies of goods or services, and VAT exempt with credit supplies, including transactions for which the place of supply is deemed to be located abroad, carried out during one calendar year.
- If the taxable person fails to collect the full face value of the invoice issued within 90 calendar days from the issue date, the tax point occurs on the 90th calendar date following the issue of the invoice for the unpaid amount.
- The VAT cash accounting scheme is mandatory for qualifying persons and should not be applied by:
    - Taxable persons that are part of a VAT group
    - Taxable persons not established in Romania that are registered in Romania for VAT purposes directly or through a fiscal representative
    - Taxable persons that have the seat of their economic activity outside Romania but have a fixed establishment in Romania
- Certain operations (e.g., supplies of goods or services that are exempt from VAT, supplies of goods or services between related parties, and certain supplies of goods or services paid in cash) are excluded from the application of the VAT cash accounting scheme.
- Specific rules apply to invoices issued by taxable persons prior to entering or exiting the VAT cash accounting scheme, as well for adjustments to the taxable base.
- Invoices issued under the VAT cash accounting scheme must state the term "cash accounting."
- The purchaser of goods or services for which the supplier applied the cash accounting scheme may deduct the related input VAT no earlier than the date of VAT payment to the supplier. An official register has been created by the Romanian Tax Authorities listing taxable persons that apply the VAT cash accounting scheme.

Effective 1 January 2013, the place of supply of the long-term rental of means of transport to a non-taxable person is the place where the lessee has his domicile or usually resides.

The system, which allows importers (taxable persons registered for VAT purposes in Romania) who have a deferred payment license issued by the Romanian tax authorities to avoid payment of VAT to the custom authorities at the time of importation (postponed accounting), is extended until 31 December 2016. This measure was originally due to end on 31 December 2012.

Effective 1 January 2013, the EU VAT Directive invoicing rules have been implemented into the Romanian VAT law:

- For supplies of goods and services or advanced payments for supplies of goods or services (other than intra-Community supplies of goods), the invoice must be issued by the 15th day of the month following the month when the taxable event took place or the advance was paid (unless an invoice has already been issued).
- The obligation to issue invoices for down payments received for VAT exempt intra-Community supplies of goods is eliminated (issuing an invoice is now optional in this situation).
- No invoice should be issued for exempt financial and insurance transactions. However, if the exempt financial and insurance services are supplied to non-EU recipients, an invoice must be issued (due to the fact that such supplies are VAT exempt with credit).
- For invoices issued by non-EU suppliers, the authenticity and integrity of the content of the invoice should be ensured exclusively either by an advanced electronic signature or the electronic data exchange (EDI) procedure.
- For foreign currency invoices, taxpayers may use the exchange rate communicated by the National Bank of Romania, the European Central Bank or used by the bank through which the settlements are made, valid at the date when the tax point occurs.
- Small value gifts granted free of charge do not represent deemed supplies of goods for consideration, and no VAT should be self-assessed in this respect if the value of each gift is less than RON100 (around €23).
- Taxable persons may issue simplified invoices under certain conditions (e.g., if the invoiced amount does not exceed €100, or if the invoiced amount ranges between €100 and €400 and there are administrative or commercial practices within that industry that make regular invoicing extremely difficult).

Effective 1 February 2013, the following changes apply:

- The market value for VAT purposes has been introduced for transactions between related parties, in the following cases:
  - If the consideration for the supply is less than the market value and the beneficiary is not fully entitled to input VAT recovery.
  - If the consideration for the supply is less than the market value, the supplier is not fully entitled to input VAT recovery and the supply is VAT exempt without credit.
  - If the consideration for the supply is higher than the market value and the supplier is not fully entitled to input VAT recovery.
- The supply of *rights in rem* in immovable property,

Saint Lucia

The Prime Minister of Saint Lucia announced the introduction of a VAT regime effective 1 October 2012. The VAT replaces a range of taxes, such as consumption tax, mobile cellular phone tax, hotel accommodation tax, motor vehicle rental fee and environmental protection levy.

VAT registration applies to businesses with an annual turnover of XCD180,000 (roughly US$66,000) or more.

The standard rate of VAT is 15%. A reduced rate of 8% applies to the hotel sector and to related services until 30 April 2013. The zero VAT rate applies to certain essential goods and services for domestic consumption and exports of goods including electricity, fresh eggs, water, uncooked pasta and exported goods.

VAT-exempt supplies include residential leases, education, financial services, insurance, medical services, local transportation, postal and religious services, and certain food items.

To cushion the impact of VAT, import duties will not be levied on medicines for a four-year period from 1 May 2012 (retroactively) to 30 April 2016. Previously, import duty was levied on medicines at a rate of 10%.

Saudi Arabia

The Ministry of Commerce and Industry has emphasized the need for all businesses and stores to use Arabic on all invoices, in contracts and on warranty certificates. Violators will be subject to fines up to SR100,000, which may be doubled in the case of repeated violations.

Serbia

Effective 1 October 2012, the standard VAT rate increased to 20% (from 18%). The VAT registration threshold is increased to RSD8 million (from RSD4 million).

Effective 1 January 2013, small and medium-sized enterprises (i.e., enterprises with an annual turnover of less than RSD50 million) have the option to pay VAT after they have received payment.

The Serbian government has announced a reduction in the period that taxpayers must wait for a refund of a VAT credit. The waiting period is decreased to 30 days from 45 days for general companies and to 10 days from 15 days for frequent exporters. Effective 5 January 2013, all companies that export more than 50% of their production are classified as "frequent exporters" (previously, the threshold was 70%). The tax administration will be liable to pay interest on delayed tax reimbursements at the same rate of penalty interest that applies to taxpayers for late payments VAT.

Seychelles

A VAT has been introduced effective 1 January 2013. VAT applies at a rate of 15% for taxpayers whose annual turnover is SR5 million or more. Businesses whose annual turnover is less than SR5 million are subject to VAT on a voluntary basis. Exempt transactions include basic commodities and services, rice, meat, fruit and vegetables, cooking oil, pharmaceuticals, infant food and formula, electricity, water and petroleum.

Singapore

Effective 1 October 2012, the importation and supply of investment precious metals (IPM) in Singapore are exempt from GST, while the supply of IPM that is exported continues to be zero rated. Only precious metals in the form of a bar, ingot, wafer and coin that meet certain prescribed conditions can qualify as IPM. The supply of precious metals that do not meet the qualifying conditions (such as jewelry, scrap precious metals, numismatic coins) continues to be taxable.

Effective 1 October 2012, the Singapore tax authority has eased the requirements for deemed supplies and for the output tax payable by GST-registered businesses in relation to goods given away free (gifts) or put to private use as follows:

- The "series of gifts" condition has been removed. A GST-registered business no longer has to track the number of gifts given to a single person. It now only needs to account for output tax on a deemed supply if the cost of each gift exceeds SGD200.
- A GST-registered business is required to account for output tax on a deemed supply if the business has been allowed to claim the input tax for the goods in question. Hence, if a GST-registered business chooses not to claim the GST incurred on the goods, it is not required to account for the deemed supply and the output tax payable when it subsequently gives the goods away or makes them available for private use for free.

Slovak Republic

Effective 1 October 2012, considerable changes were introduced to the documentary proof required for VAT zero rating for intra-Community supplies of goods. These changes affect all businesses that make cross-border sales of goods from the Slovak Republic to another EU member state. According to the new rules, if the transportation of the goods is arranged by a third party, the supplier has to have a CMR (or other document) confirmed by the customer or its representatives.

Stricter rules apply when the transportation of the goods is arranged by the supplier or customer directly. The supplier has to have a document confirming the acquisition of the goods by the customer. The confirmation must include the customer's details (name, seat and place of business), a description of the goods supplied and their amount, the place and date when the goods were delivered to the customer (if the transportation is performed by the supplier), the place and date when the

transportation ended (if it is performed by the customer), the name surname and signature of the driver, and the registration number of the vehicle involved. As these requirements are much stricter than applied previously, taxpayers should review their current documentation practices and assess whether they comply with the new rules.

Effective 1 October 2012, as an anti-fraud measure, the law extends the range of situations when the customer is liable for settling the output VAT on behalf of the supplier. The customer of goods or services supplied in the Slovak Republic is liable for settling the output VAT due for the transaction (i.e., the amount stated on the invoice) if he knew or should have known that the output VAT (or part of it) would not be paid by the supplier to the tax authorities. Indicators that the customer was in such a position include the following:

- The consideration agreed for a transaction is inappropriately high or low without economic justification.
- The customer has continued to enter into transactions with a supplier included on the "black list" published by the Slovak Financial Directorate.
- A member of the board of the customer was also a member of board of the supplier at the time of the tax point for the transaction.

If any of these conditions is met, the customer has the obligation to pay the VAT due for the related transaction to the tax authorises. The tax authorities are also authorized to use the customer's excess VAT deduction to settle the VAT due.

Also effective 1 October 2012, the following changes apply to the Slovak VAT legislation:

- Compulsory interest-free collateral must be provided at the time of registration (from €1,000 to €500,000), in specific cases.
- Compulsory VAT registration applies for taxable persons supplying real property (buildings). VAT registration must take place by the date of the supply or the date of any payment prior to such supply.
- The scope of the reverse charge mechanism has been extended to cover supplies of real estate and the exercise of a lien and of an assignment of a right, if ownership of goods is transferred.
- Foreign entities registered for VAT that supply goods and services subject to the reverse charge mechanism can no longer recover input VAT through a Slovak VAT return. They must now recover input VAT through the VAT refund procedure.
- The tax authorities may deregister a VAT registered person who fails to comply with administrative duties (e.g., filing of VAT returns, payment of tax, tax-audit-related duties.
- Dealers of second-hand cars that purchase vehicles from abroad from VAT-registered persons for onward sale in the Slovak Republic must submit special records with their VAT returns.

Effective 1 January 2013, the following changes apply:

- The acceptance of electronic cash register receipts for the purposes of evidence of VAT paid will be limited to the cash payments up to €1,000 (including VAT) and, in the case of payment by electronic means, up to €1,600 (including VAT).
- Paper and electronic invoices are treated equally. According to the new rules, the taxpayer is free to decide on which electronic format the invoice will take, as long as the authenticity of the origin, integrity of the content and legibility of the invoice can be ensured.

Slovak Republic (continued)

- A taxpayer who makes intra-Community supplies of goods or reversed-charged services should issue an invoice by the 15th day of the month following the month when the supply was performed.
- For continuous intra-Community supplies of goods that exceed one month, the tax point is the last day of each calendar month.
- The place of supply of long-term hire of means of transport supplied to a non-taxable person is the place where the customer is established, has its permanent address or usually resides unless the hiring involves a pleasure boat, in which case place of supply is where the pleasure boat is actually put at the disposal of the customer providing that it is also the place of his seat or fixed establishment.

Effective 1 January 2014, the reverse charge mechanism will apply to the importation of goods (i.e., postponed accounting will be available for imports).

Slovenia

The standard VAT rate will be increased up to 3% if the budget deficit for 2013 and 2014 exceeds 3% of the Slovenian GDP. The possible increase will be in force from 1 April to 31 December of the year in which the increase applies and will be rounded to 0.5%. The VAT rate will be published by the latest on 15 March in the Official Gazette for the relevant calendar year.

South Africa

The VAT Act provides that a vendor should issue a debit or credit note if a supply has been canceled, a supply has been changed, the agreed consideration has been adjusted or the goods have been returned. It is proposed that the conditions under which a debit or credit note may be issued be extended to allow for the correction of incorrect invoices and also other circumstances such as the correction of invoices where particulars on the tax invoice are missing.

If a non-resident regularly or continuously supplies goods that enter South African territorial land and waters, it may be required to register for VAT, irrespective of whether it has a permanent establishment in South Africa. The VAT Act currently provides for the supply of goods by a non-resident to be exempt from VAT if the goods are imported and entered for storage in a licensed bonded warehouse. It is proposed that the VAT exemption for in-bond sales should be extended to supplies made by a non-resident if the goods are supplied before their entry for home consumption.

South Korea

Effective 1 January 2013. debt collection services are no longer exempt from VAT.

Spain

Effective 1 September 2012, the standard VAT rate increased to 21% from 18% and the reduced VAT rate increased to 10% from 8% . However, the 4% super-reduced VAT rate has remained unaltered. In addition, some goods and services that were formerly taxed at the reduced rates are now taxed at the standard rate.

Effective 31 October 2012, the following changes apply:

- Following several judgments made by the Supreme Court, the Spanish VAT Law has been amended so that, in the case of bankruptcy, a clear distinction is made on the VAT returns between VAT amounts relating to operations with tax point dates prior to the bankruptcy (which are subject to the legal bankruptcy payment rules) from VAT amounts relating to operations made subsequent to the bankruptcy (which must be declared and paid in the normal way, through the periodic VAT return process).
- The reverse charge procedure has been extended for certain supplies to immovable property, The VAT reverse charge procedure now applies to most sales of buildings (except for sales of new or substantially renovated buildings). In addition, the VAT reverse charge procedure applies to certain services related to the construction or substantial renovation of immovable property.
- Omissions or mistakes in the VAT return declaring the self-assessed VAT arising from the withdrawal of goods from a VAT warehouse may be subject of a penalty of 10% of the VAT amount for missing, incomplete or inaccurate declarations, provided that the declared VAT is lower than the amount actually accrued.

Effective 1 January 2013, in according with EU Directive 2010/45/EU, the tax point for an intra-Community supply and acquisition of goods is the earlier of the 15th day of the month following the month when the goods were removed from the supplier or the date when the invoice is issued. The tax point for continuous intra-Community supplies of goods looking for a period of more than one calendar month, where payments have been agreed for a period longer than the month, is the last day of each calendar month.

A new invoicing regulation (based on EU Directive 2010/45/EU) entered into force effective 1 January 2013. The new regulation clarifies when non-resident entities must comply with Spanish invoicing regulations. The new rules also require that tax receipts be replaced by simplified VAT invoices, they also provide for electronic invoicing. For intra-Community supplies and, in all cases where the recipient is an entrepreneur, invoices must be issued by the 15th day of the month following the month when the goods were supplied or the services were performed.

Sri Lanka

On 8 November 2012, the Sri Lankan Government presented the Budget for 2012–13. Effective 1 January 2013, it is proposed to extend the scope of the Nation Building Tax (NBT) and VAT to wholesale and retail businesses with a quarterly turnover in excess of LKR500 million and to exempt from NBT and VAT small businesses with an annual turnover of less than LKR12 million.

Sweden

Effective 1 January 2013, in accordance with EU law, a number of changes apply to the to VAT invoicing, including the following measures:

- The relevant law or other information must be expressly mentioned on an invoice that relates to a VAT-exempt supply.
- Any invoice issued by the purchaser under a self-billing arrangement must expressly mention on the invoice that self-billing applies.
- The words "reverse charge" must be mentioned on any invoice subject to the reverse charge. If the invoice is issued in Swedish, the words "*Omvänd betalningsskyldighet*" must be included.
- Taxable persons who apply a profit margin scheme for second-hand goods, artwork, collectibles and antiques or the margin scheme for travel agents and travel agencies may simply express the fact on their invoices (e.g., by including "the margin scheme for second-hand goods"). This is a simplification of the previous Swedish rule.
- The VAT and value amounts on invoices issued in a foreign currency must be converted to Swedish kronor (SEK) or euros. However, the exchange rate used for this conversion no longer needs to be shown on the invoice.
- For intra-Community supplies of goods carried out in accordance with the conditions specified in Article 138 or for supplies of services for which VAT is payable by the customer pursuant to Article 196, an invoice must be issued at the latest by the 15th day of the month following the supply of goods or services.
- The authenticity of the origin, the integrity of the content and the legibility of an invoice must be ensured by the issuer and the recipient until the end for the storage period of the invoice (seven years).

Effective 1 January 2013, a number of other changes apply to the Swedish VAT law, including the following measures:

- To prevent fraud, the reverse charge applies to supplies of waste and scrap for certain metals.
- A penalty of SEK500 is imposed for all VAT returns that are filed late. Previously, the penalty amount was raised to SEK1000 if one of the three preceding returns was filed late.
- Interest on all late payments of VAT is now calculated using the previous "high interest rate" calculated as the base rate plus 15%. Furthermore, the base rate for these purposes can only be as low as 1.25%, previously the lowest rate was 1%.
- The place of supply for the long-term hire of means of transport, to a non-taxable person is deemed to be the place where there the non-taxable person is established, where his permanent address is or where his usually residents is. Special rules apply to the hiring of boats, for which the place of supply could be the place where delivery takes place.

Tanzania

A VAT reform law is expected to come into force for fiscal year 2013–14. It is expected to broaden the tax base by minimizing exemptions and preferential treatments and to introduce simplified tax administrative procedures to help boost collections. To this end, the Tanzania Revenue Authority (TRA) has proposed various administrative measures including the establishment of tax service centers to support tax compliance, the introduction of intensified risk-based and quality tax audits, and the usage of electronic fiscal devices (EFDs) to track tax collections at the point-of-sale.

Thailand

The 7% VAT rate will revert to 10% on 1 October 2014, unless the 7% rate is extended in the meantime.

Trinidad and Tobago

The following changes apply:

- Food items (other than "luxury" items and alcohol) are now zero-rated with effect from 15 November 2012. Previously, food was subject to VAT at the standard rate of 15%.
- Security cameras and video recording or reproducing apparatus intended for use in CCTV (closed circuit television systems) are exempt from VAT and customs duties with effect from 2 October 2012. Previously, these items were subject to VAT at the standard rate of 15%.
- A tax exemption on specific machinery and equipment used in the creative arts industry was proposed in the 2012–13 Budget, but no legal notice has been passed to effect.

Tunisia

Effective 1 January 2013, local authorities and state-owned entities are required to withhold 50% of the VAT due on their acquisitions of immovable properties and businesses transferred as going concerns if the value of the transaction exceeds TND1,000.

From the same date, VAT is suspended on training services for pilots who are not working for airlines.

Turkey

With the Council of Ministers Decision no. 2012/4116 published in the Official Gazette dated 1 January 2013, the way that VAT applies to house construction has been changed. VAT applies at varying rates, based on the location or type of the house or on the unit square meter (m^2) value of the land on which it is situated. The new rates apply to house construction projects that begin 1 January 2013 onwards.

For houses with a net area up to 150 m^2 built as luxury houses or first-class construction in metropolises,[4] the VAT rate, depends on the unit m^2 tax value, determined in accordance with article 29 of the Real Estate Tax Law for the land on which the house is built on the date when the building license is obtained, including cases where the license is later revised and the construction quality is increased. The VAT rates are as follows:

- 8% on the delivery of houses whose land unit m^2 tax value is between TL500 and TL1,000.
- 18% on the delivery of houses whose land unit m^2 tax value is greater than TL1,000.

Turks and Caicos

On 19 July 2012, the Turks and Caicos Islands introduced wide-ranging VAT legislation for the first time. The planned date of implementation is 1 April 2013. The VAT is expected to apply to most imports and on consumed goods and services, with a VAT rate ranging from 8.5% to 12.5%, plus a zero rate. The introduction of VAT is intended to reduce customs import duty and to replace bank charges, carbon tax, communications tax, hotel and restaurant accommodation tax, insurance premiums tax and vehicle-hire stamp duty.

Ukraine

Effective 1 January 2013, VAT taxpayers may obtain VAT refunds by accepting Treasury promissory notes from the government. A Treasury promissory note may be used upon maturity to offset any of the taxpayer's tax liabilities. Also the recipient of a Treasury promissory note can sell it to another taxpayer. At the time of writing, the procedure for issuing Treasury promissory notes is still to be published.

Effective 1 January 2013, a VAT exemption applies to supply of:

- Software, including operational systems and other computer programs (or their parts) including programs represented as Internet web sites or online services
- Encryption devices for data protection purposes.

The exemption is expected to remain in force until 2023.

Effective 1 January 2013, money transfer services are included in the list of VAT-exempted activities.

Effective 4 November 2012, favourable changes related to the VAT regime for product sharing agreements (PSAs) were introduced. Among other things, PSAs are entitled to an automatic refund of VAT credits.

4. Under the scope of the Metropolitan Municipality Law — except for areas determined as reserve construction areas and risky areas under the Law no. 6306 on the Transformation of Areas Under Disaster Risk and areas where risky construction has been built.

United Kingdom

Effective 1 October 2012, various changes were made to the VAT treatment of supplies of catering, sports drinks, self storage, hairdressers' chair rental and alterations to listed buildings. The effect of these changes was to broaden the VAT base.

Effective 1 November 2012, the UK VAT administration introduced an enhanced online service for UK VAT registration (and deregistration) applications and for notifying changes to registration details. This provides an incentive for businesses to use online services by offering quicker and more accurate processing.

Effective 1 December 2012, the VAT registration threshold (currently £77,000) was removed for businesses not established in the UK (i.e., a nil registration threshold now applies). This means that any non-established business that makes a taxable supply in the UK (that is not covered by an existing VAT simplification) is required to register for UK VAT, regardless of the value of the supply. All non-established businesses that make taxable supplies in the UK should review whether they are required to register for VAT.

Effective 1 January 2013, a number of minor amendments were made to the existing UK VAT invoicing rules to reflect the changes introduced by the EU Invoicing Directive, which seeks to remove obstacles to electronic invoicing and further simplify and harmonize VAT invoicing rules across all EU member states.

From the same date, the rules governing the VAT treatment of business-to-consumer (B2C) supplies of the long-term hire of means of transport have changed. Until 31 December 2012, such supplies were subject to VAT in the EU member state where the supplier belonged. However, effective 1 January 2013, such supplies are generally subject to VAT in the EU member state where the customer belongs. Affected businesses should review whether these changes mean that they are required to register for VAT in other EU member states.

Effective 1 April 2013, a reduced (5%) rate of VAT will be introduced for the transport of passengers by small cable-based transport systems, in place of the standard rate (20%) that currently applies.

Effective 6 April 2013, certain larger holiday caravans, which are currently eligible for VAT zero-rating, will become subject to a reduced (5%) rate of VAT.

Effective 1 August 2013, the reduced (5%) rate of VAT for the supply and installation of energy-saving materials in buildings used for charitable purposes will be withdrawn, following which the standard rate of VAT (20%) will apply.

From the same date, the VAT exemption for supplies of research services between eligible bodies (mainly government departments, schools, universities, charities and other public bodies) will be withdrawn, following which the standard rate of VAT will apply.

In September 2012, the UK VAT administration announced a review of whether the existing VAT education exemption should be extended to commercial providers of higher education (such as universities) to align their VAT treatment with that of not-for-profit and publicly funded providers of higher education. Any legislative changes resulting from this review are expected to be introduced in summer 2013.

In March 2010, the UK VAT administration announced that it will implement a new penalty regime for late filing of VAT returns and late payment of VAT, to replace the UK's existing default surcharge regime. However, it is not yet known when this new penalty regime will be implemented.

United States of America

The United States (US) does not impose a national-level sales tax or VAT. Rather, sales taxes and complementary use taxes are imposed and administered at the state (sub-national) and local (sub-state) levels. As a result, there are more than 7,500 potential taxing jurisdictions for sales and use tax purposes in the US. Adding to this complexity, often sales and use taxes are not applied uniformly among these various taxing jurisdictions. Nevertheless, a number of sales and use tax trends have developed and continued in recent years as state and local governments have increased their enforcement efforts with respect to sales and use taxes, which generally account for 20% to 25% of all state and local business tax revenue.

The most significant ongoing sales and use tax trend since 2008 has involved efforts in a number of states to require "remote sellers" (e.g., vendors who sell taxable goods to customers in other states) to collect and remit tax on sales to in-state customers. Under US law, a remote seller must collect and remit sales and use taxes only if it has physical presence (known as nexus) within the taxing state. If the seller lacks nexus, the customer is required to self-assess and pay the tax on his purchases. Examples of this trend include:

- In 2008 and 2009, the states of New York, North Carolina and Rhode Island each adopted laws that require non-resident online retailers to collect tax on sales to in-state customers if the retailer contracted with a New York resident to refer potential customers to the seller. In November 2010, the New York statute was upheld as constitutional by a New York State appellate court. In 2011 and 2012, approximately 23 additional states had either adopted or considered similar legislation.
- In 2010, the state of Colorado adopted a new law that would have created a presumption that a remote seller had nexus with the state for sales and use tax collection purposes if the seller was a member of a controlled group that has at least one member that is a retailer within the state. For sellers that were not members of such controlled groups, Colorado would have required the seller to provide the state's Department of Revenue with identifying information about each Colorado customer, including their names, addresses and the amount of their taxable purchases for the year, or face a per-customer penalty. In January 2011, shortly before it was to go into effect, a federal court issued an injunction, barring the law from taking effect. The statute ultimately was declared unconstitutional and was struck down in March 2012.
- The states of New York (2009) and Oklahoma (2010) adopted similar presumptions with respect to controlled group members, but neither state enacted a reporting requirement similar to Colorado. In 2011 and 2012, an additional fifteen states adopted or considered enacting similar controlled group/affiliate presumption statutes.
- Since 2010, the state of Oklahoma also has required remote sellers to notify customers on their websites, catalogs and invoices that use tax is due, and that the customer is required to self-assess and pay the tax. At least five additional states adopted or considered similar sales and use tax reporting statutes in 2011 and 2012.
- In 2011, South Carolina and Texas enacted legislation specifying that operation of an in-state warehouse or distribution center, either directly or through an affiliate, would create nexus for a remote seller. Similar measures were passed in Georgia and Virginia in 2013, with a further six states proposing such measures.

United States of America (continued)

- A number of states also attempted to use nexus as a tool to attract business and jobs. In 2011, South Carolina and Tennessee each enacted legislation that would exempt certain remote sellers from having to collect sales and use taxes on transactions with in-state residents to the extent that the remote seller opened a new distribution center, and met minimum investment and job creation thresholds. South Carolina's measure was directly related to the legislation described immediately above. In 2012, a number of other states enacted similar provisions while at least one state (Georgia) passed a law expressly prohibiting such agreements with remote sellers.

Through 2012, three separate federal bills that would eliminate the physical presence nexus standard for sales and use tax were before Congress.[5] Each bill required states to simplify their sales and use tax laws to a certain degree in order to be able to compel remote sellers to collect the tax. However, none of the bills has been voted out of committee and the likelihood of any of them passing is remote through the first half of 2013.

In addition to increased collection requirements, the states continued to expand or consider expanding their sales and use tax base throughout 2012, covering a broad range of transactions. Common themes in a number of states include:

- Application of the tax to transactions involving non-tangible goods (e.g., remote access and electronically delivered software, digital music and books). While treatment is not consistent across the states, the trend toward increased taxation of intangibles and services likely will continue into 2013 and beyond.
- Treatment of specified IT service transactions, including data processing, "cloud computing" and "information services" should continue to face scrutiny from state lawmakers.
- Limitation of exemptions for related party and other "historically exempt" business transactions, such as contributions, spin-offs and business-line sales may be limited or unavailable in more states.
- Determining the appropriate sales price for "deal of the day" group discount transactions.

Sales and use tax credit and incentive programs have faced additional scrutiny in a number of states looking to reduce spending and increase revenues. The recent trend for many such state programs has been to limit tax benefits to taxpayers that create higher numbers of new jobs and/or invest significantly more capital within the state than under previous programs. In addition, states offering such programs continue to apply more rigorous testing standards to ensure that their tax investments yield actual results (e.g., new jobs, infrastructure)

As in 2012, few states are expected to offer full-scale sales and use tax amnesty programs in 2013. Under a typical state tax amnesty program, taxpayers who owe past taxes are allowed to register and satisfy their outstanding liabilities with reduced penalty and/or interest rates. Rather than tax amnesties, most states continue to increase enforcement through more frequent and aggressive audits, with a particular focus on exemption qualifications. Areas of particular focus include: proper use of exemption certificates; timely registration in states where the seller has nexus; and proper sourcing of multistate use (e.g., multiple software seat licenses).

5. Congress has authority under the US Constitution to regulate interstate commerce, including taxation.

Uruguay

A range of tourism tax incentives have been introduced that apply from 15 November 2012 to 31 March 2013 to increase the competitiveness of the country within the region. The main measures planned are as follows:

- A full reduction of VAT paid on listed goods and services purchased by non-resident individuals, including restaurant meals and car rentals. The incentive only applies to payments made with a credit or debit card issued abroad.
- An 80% VAT refund for the acquisition of goods bought to be used or consumed abroad, only for payments made by non-residents with a credit or debit card issued abroad. Goods covered by this provision include clothes, leather goods, food, drinks and art crafts.
- The grant of an income tax credit on high-season real estate rentals, up to 10.5% of the gross rent amount (an increase from the current figure of 6%). Again, only payments made by non-residents with a credit or debit card issued abroad are eligible for this credit.

Vietnam

A pilot VAT refund scheme began in July 2012 and is expected to run until 30 June 2014. It applies to foreigners and overseas Vietnamese visitors passing through the country's two largest airports. Under the project, foreigners and overseas Vietnamese who buy goods in Vietnam and leave through Noi Bai Airport or Tan Son Nhat Airport may be reimbursed 85% of the VAT paid. The remaining 15% of the refund value is used as a service fee to pay the banks that handle tax repayments. To obtain a refund, foreigners are required to have a valid invoice with a value of at least VND2 million (US$95) and a tax claim form.

Effective 10 November 2012, a VAT refund may be made on the basis of "refund first, tax audit later." Accordingly, the tax authorities must perform a tax audit within one year from the date that the decision on the VAT refund is granted in the following cases:

- Enterprises with losses for two consecutive years or more or that have losses that exceed their chartered capital
- Enterprises with a VAT refund arising from business activities of real estate trading and services
- Enterprises with a change in business location within the 12 months prior to the date of the tax refund decision
- Enterprises that have had an unusual change between taxable revenue and refunded tax within the 12-month period

For other enterprises, the tax authorities must conduct a tax audit based on the risk level of the refund (priority for audit is given to cases with a significant refund amount, etc.) within a period not exceeding 10 years from the date of the tax refund decision.

Zambia

Effective 1 January 2013, the following VAT changes apply:

- The annual turnover threshold for VAT registration increased from ZMK200 million to ZMK800 million.
- Polymer granules, liquid polymers and synthetic woven bags and block bottom woven bags that were previously VAT exempt are now subject to VAT at the standard rate.
- Goods and services supplied to and imported by businesses operating in multi-facility economic zones and industrial parks are now liable to standard rate VAT.
- Bread and wheat, adventure tourism for local tourists and tour guide activities are now zero rated.
- The period within which tax invoices can be used to support a VAT claim has been reduced from 12 months to six months.

Zimbabwe

Effective 1 January 2013, the following changes apply:

- Soya meal and live birds are exempt from VAT.
- A penalty is imposed for a failure to pay deferred VAT within the prescribed 90-day period from date of importation or for selling, re-exporting or otherwise disposing of such goods without having used them in the manner that qualified them for deferment of payment of tax.
- The tax authorities are to step up enforcement of electronic fiscal recording of taxable transactions. The procurement of servers required to receive data from electronic fiscal devices is in progress.
- Penalties for failure to record transactions on time using on electronic fiscal devices may be reviewed on appeal to the Commissioner of Domestic Taxes.

2

Excise and other indirect taxes

Excise and other taxes map 74
Excise and other indirect taxes 76

ISO
DISP.
MENU

Excise and other taxes

Romania

1 January 2013: excise duty rate for diesel oil is increased to €391 per ton (from €374 per ton).

1 February 2013: 60% tax will be charged on the supplementary revenues (earned until 31 December 2014) derived by certain natural gas producers.

To 31 December 2014: special tax of 0.5% of revenues will be payable by companies exploiting natural resources (with the exception of natural gas).

Norway

1 January 2013: motor vehicle re-registration tax is reduced by 40% for commercial vehicles and by 12% for other motor vehicles.

1 January 2013: CO2 tax on petroleum activities has also been increased by NOK200 per ton.

Netherlands

The temporary reduction in the property transfer tax from 6% to 2% which was to last until 31 June 2012 has been continued on a permanent basis.

1 January 2013: insurance premium tax (IPT) rate in the Netherlands has increased from 9.7% to 21%.

Nicaragua

1 January 2013: new excise tax applies on fuels sold or imported into Nicaragua, including the import and nationalization of goods derived from petroleum.

Mexico

1 January 2013: beer with a 14% alcohol content is subject to a 26.5% excise tax rate (instead of the 26% tax rate previously approved for 2013).

1 January 2013: alcoholic beverages and beer with a 20% alcohol content or more are subject to a 53% excise tax rate (instead of the 52% excise tax rate previously approved).

Jamaica

15 July 2012: tax applies on telephone calls originating or terminating in Jamaica.

August 2012: tourist tax of US $20 is payable by each foreign-arriving passenger.

1 September 2012: a per-night accommodation tax is levied on each occupied hotel room.

United Kingdom

1 February 2013: amusement machine license duty (AMLD) will be replaced by a new machine games duty (MGD). Two MGD rates apply: 20% and 5%.

1 April 2013: standard rate of landfill tax (LFT) will increase by £8 per ton to £72 per ton.

1 April 2013: rate of aggregates levy will increase from £2 to £2.10 per ton.

1 January 2014: tobacco-free (herbal) smoking products will become liable to tobacco duty at the same rate as their tobacco counterparts.

Costa Rica

29 November 2012: excise tax applied to national or foreign soft drinks is 5.725 colones per consumer unit of 250ml.

Brazil

9 January 2013: tax incentives relating to the 2016 Olympic and Paralympic Games in Rio de Janeiro entered into force.

Switzerland

1 April 2013, excise duty on cigarettes will increase from CHF395 to CHF400 per 1,000 cigarettes, which results in an increase for CHF0.10 to CHF8 per pack of 20.

Turkey

22 September 2012: special consumption tax on alcoholic beverages and on vehicles with an engine capacity less than 1600 cm3 has been increased.

22 September 2012: land registry title fees were increased to 0.02% from 0.0165%.

Uzbekistan

1 January 2013: excise duty increased on wine by 5%, on ethyl alcohol by 15% and on other types of alcoholic beverages by 20%.

1 January 2013: excise duty rate for tobacco products increased by 25%.

Zambia

13 October 2012: import duty suspended on tourism-related equipment as an incentive to develop the tourism industry.

Zimbabwe

1 December 2012: excise duty increases apply to: locally produced clear beer (40% to 45%), cigarettes (from ZWL10 per 1,000 to ZWL15 per 1,000).

Until June 2013: suspension of customs duty on vehicles used in tourism.

Saint Lucia

1 May 2012–30 April 2016: import duties will not be levied on medicines (previously 10% rate applied).

Belgium

1 January 2013: excise duties on tobacco and wine have been increased.

Bosnia and Herzegovina

1 January 2013: excise duty on cigarettes increased.

Bulgaria

1 January 2013: excise rates on certain categories of goods increased in line with the EU accession engagements of Bulgaria.

Czech Republic

1 January 2013 and 1 January 2014: two-stage increases in excise duty rates on tobacco products.

Denmark

1 January 2013: stamp duty on policies issued by insurance companies has been changed to an insurance premium tax of 1.1%.

1 January 2013: new excise duty applies to work-related injuries.

Finland

1 January 2013: insurance premium tax rate increased from 23% to 24%.

Gambia

New tobacco taxation policy to be introduced in 2013, which will result in a 25% increase in duty.

Guernsey

1 January 2013: duty increases on tobacco products (6% increase), alcohol (3% increase) and motor fuel (1.5p per liter).

Hungary

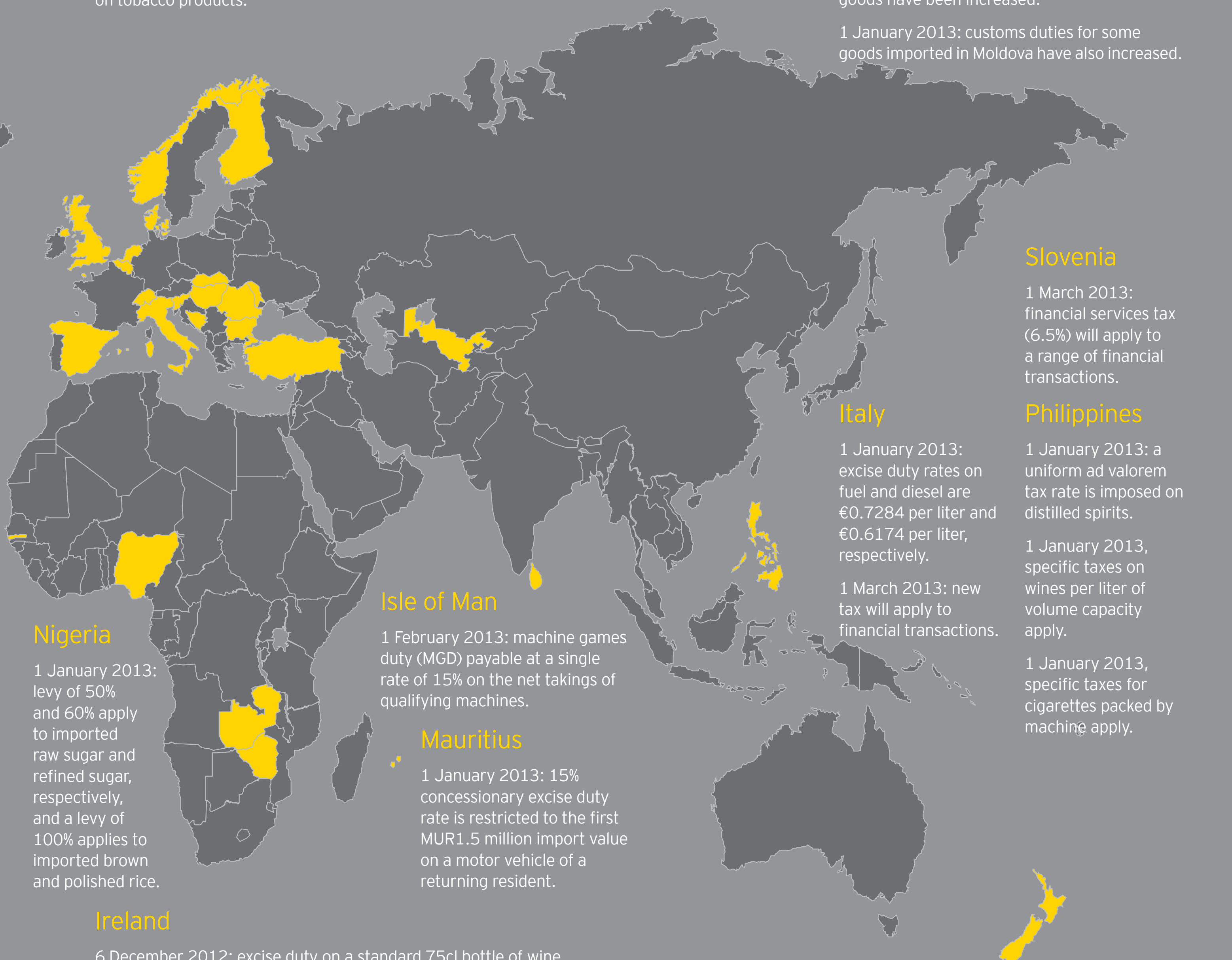
1 January 2013: excise duty on alcoholic products is raised by 10% and the tax on cigarettes and smoking tobacco is increased by 5% to 10%.

1 January 2013 and 1 May 2013: excise duty on liquefied petroleum gas fuel is increased in two stages.

Moldova

1 January 2013: duties for most excisable goods have been increased.

1 January 2013: customs duties for some goods imported in Moldova have also increased.



Slovenia

1 March 2013: financial services tax (6.5%) will apply to a range of financial transactions.

Italy

1 January 2013: excise duty rates on fuel and diesel are €0.7284 per liter and €0.6174 per liter, respectively.

1 March 2013: new tax will apply to financial transactions.

Philippines

1 January 2013: a uniform ad valorem tax rate is imposed on distilled spirits.

1 January 2013, specific taxes on wines per liter of volume capacity apply.

1 January 2013, specific taxes for cigarettes packed by machine apply.

Nigeria

1 January 2013: levy of 50% and 60% apply to imported raw sugar and refined sugar, respectively, and a levy of 100% applies to imported brown and polished rice.

Isle of Man

1 February 2013: machine games duty (MGD) payable at a single rate of 15% on the net takings of qualifying machines.

Mauritius

1 January 2013: 15% concessionary excise duty rate is restricted to the first MUR1.5 million import value on a motor vehicle of a returning resident.

Ireland

6 December 2012: excise duty on a standard 75cl bottle of wine increased by €1 (including VAT) per bottle, and the rate of excise duty on a pint of beer or cider and on a standard measure of spirits increased by €0.10 (including VAT).

6 December 2012: excise duty on tobacco products increased by €0.10 (including VAT) per packet of 20 cigarettes and on a pro-rata basis for other tobacco products.

1 May 2013: carbon tax will be extended to apply to solid fuels at an initial rate of €10 per ton. The rate will increase to €20 per ton effective 1 May 2014.

Spain

1 January 2013: tax on retail sales of some fuels (IVMDH or *Céntimo Sanitario*), introduced in 2002, has been abolished.

Sri Lanka

1 January 2013: telecommunication levy applicable to internet tariffs reduced from 20% to 10%.

New Zealand

1 January 2013: excise and excise-equivalent duty rates on tobacco and tobacco products have undergone the annual indexation as well as a separate 10% increase.

Aruba

Effective 1 January 2013, excise duties on cigarettes have increased by AWG1.91 per pack of 20 cigarettes.

Belgium

Effective 1 January 2013, the excise duties on tobacco and on wine have been increased.

Benin

The following changes apply effective 1 January 2013:

- For the year 2013, a 1% tax applies to the re-exported petroleum products.
- The passenger tax has increased from FCFA10,000 to FCFA20,000 per passenger.
- The night tax paid by hotels has been fixed at FCFA1,000 per bed per night.
- The communication fee applied to international calls received in Benin has increased from FCFA15 to FCFA23 per minute.
- A new 10% tax applies to energy drinks.
- The excise duty rates have increased to 7% on soft drinks, 20% on beer and cider, 40% on wine and 45% on liqueurs and champagne.
- The excise duty on perfume and cosmetic products has increased to 7%.
- The excise duty on tourism vehicles with an engine capacity of 13 horsepower or greater has increased to 10%.
- A new tax applies on the import and sale of plastic bags. It applies at a rate of 5% based on the value of bags at importation or at the time of local production.

BES islands (Bonaire, Sint Eustatius and Saba)

Effective 1 January 2013, the excise duty on gasoline is reduced by US$0.10 per hectoliter.

Bosnia and Herzegovina

Effective 1 January 2013, excise duty on cigarettes has increased to BAM37.50 per 1,000 cigarettes (from BAM30 per 1,000 cigarettes), while the overall minimum excise duty has been increased to BAM91 per 1,000 cigarettes (from BAM82.50).

Brazil

The law containing the tax incentives relating to the 2016 Olympic and Paralympic Games in Rio de Janeiro was published in the Official Gazette dated 9 January 2013 and entered into force on that date. Tax benefits are available for the entities listed in the legislation that are involved with these sporting events, on the condition that they are incorporated in Brazil and that they engage in selling goods and services or hiring individuals (with or without an employment relationship) for the purpose of the events. Even though the tax incentives have been published and are already in force, additional administrative procedures must be defined by the tax authorities and published through legislation.

Bulgaria

Effective 1 January 2013, excise rates on certain categories of goods are increased in line with Bulgaria's EU accession agreement.

Canada

Effective 1 July 2012, all cigarettes, tobacco sticks and fine-cut tobacco products for sale in Canada must carry the new federal excise stamp in accordance with the Excise Act, 2001. Contravention may result in a fine, imprisonment or both.

The new federal excise stamp indicates that federal excise duty has been paid on the tobacco product and that it has been manufactured legally. The stamp has state-of-the-art visible and hidden identifiers and security features similar to those used in Canadian banknotes, as well as hidden security features that only federal and provincial law enforcement agencies can detect.

Cape Verde

The recently approved eco levy is now charged on pollutant products (mainly packaging), such as non-biodegradable packaging made with metal, glass, plastic and other environmentally harmful products and packaging. The levy is calculated based on the kilograms of pollutant products listed in a "black list." The levy ranges from ECV2 to ECV200 per kilogram. An exemption applies to the following:

- Packaging for medicines
- Packaging for food products of prime necessity
- Imported packaging for goods intended to be exported or re-exported

Additionally, obligations must be fulfilled by taxpayers in relation to certain products, such as the obligation to return to the origin, to recycle or to reuse at least 50% of the products and packaging used (e.g., glass bottles, metal cans, used tires)

Costa Rica

Effective 29 November 2012, the excise tax applied to national or foreign soft drinks is 5.725 colones per consumer unit of 250ml. For small factories whose annual production does not exceed 16 million consumer units, the tax per consumer unit of 250ml is 2.35 colones.

A consumer unit is defined as follows:

- The consumer unit for all liquid drinks subject to tax is 250ml.
- The consumer unit for soda syrups (post mixes) is the equivalent ml of syrup used to make 250ml of the finished beverage.
- For packages containing different items, the tax is applied proportionally.

In addition, from the same date, the excise tax levied on national or foreign beer and wine has also been modified as follows:

- An excise tax collected for the benefit of the Institute of Rural Development, formerly known as IDA (INDER), applies at a rate of 0.4 colones per ml of alcohol in national or foreign beer.
- An excise tax collected for the benefit of IFAM (Institute for Municipal Development) applies at a rate of 0.22332 colones per ml of alcohol in national or foreign beer.
- An excise tax collected for the benefit of INDER applies at a rate of 0.2 colones per ml of alcohol in national or foreign wine.
- An excise tax of 0.1 colones per ml of alcohol applies to national or foreign wine prepared with fermented fruits (other than grapes) if sales do not exceed 15 million ml. If sales exceed this amount, the tax is 0.2 colones per ml of alcohol.

The taxable event for these excise taxes occurs at the factory level when the invoice is issued or the product is delivered (whichever occurs first) and at importation when the customs return is accepted. These tariffs will be updated quarterly by INDER and the increase may not exceed 3%.

Croatia

The Excise Tax Act and the Special Tax on Motor Vehicles law have been approved by the Parliament in advance of Croatia's accession to the EU, which is currently scheduled for 1 July 2013.

The main change under the new Special Tax on Motor Vehicles is the combined taxation system, according to which, the special tax is determined based on the sale (market) value and CO2 emissions of the vehicle.

In addition, the special tax on the transfer of vessels and aircrafts has been abolished.

The excise tax on cigarettes and fine-cut tobacco will increase so as to adjust the Croatian excise system to the EU rules.

Also, the authorities intend to cancel the Special Tax on Luxury Products Act, due to low tax revenues and high administrative costs.

Czech Republic

As part of the gradual implementation of European directives, there will be an overall increase in excise duty rates on tobacco products. This increase will take place in two stages; the first stage took effect on 1 January 2013 and the second stage will take effect on 1 January 2014.

Denmark

The Danish Parliament has adopted a bill regarding excise duty on printed advertising material distributed to households in connection with a company's commercial activity and without payment. The excise duty is collected by the distributor at a rate of either DKK2 or DKK3 per kilo of printed advertising material (increasing to DKK4 per kilo from 2014). The application of the new excise duty currently awaits approval from the EU Commission.

Effective 1 January 2013, an indexation rate of 1.8% applies to the green car owner tax, the excise duty on water, various consumption taxes (coffee, tea, cigarette paper and smokeless tobacco, incandescent lamps) and health-promoting excise duties (on items such as beer, wine, saturated fat, chocolate, ice and mineral water). Indexation rises are also planned for 2015 and in 2018.

Until now, Denmark has charged tax on insurance as a stamp duty on the policies issued by insurance companies. The amount could be paid up-front when entering into an insurance agreement or as a current stamp duty. Effective 1 January 2013, this duty has been changed to an insurance premium tax of 1.1%.

The existing premium tax on insurance for pleasure crafts has been increased from 1% to 1.34%.

Effective 1 January 2013, a new excise duty applies to work-related injuries. The duty is calculated on the basis of a very complex formula based on the amount of damages paid for work-related injuries and occupational diseases the previous year. It is charged by a public institution to employers.

Ecuador

All transfers of cash overseas made by an Ecuadorian entity are subject to a 5% currency exportation tax (CET). The tax law also assumes that the following transactions trigger the 5% CET:

- Payments made from foreign bank accounts of Ecuadorian entities, provided that this cash was not levied with CET when it was initially transferred to the foreign bank accounts as follows:

Description	Tax base
Imports	Goods customs value
Principal amortization and interest payments on foreign loans	Gross amount of the currency being transferred abroad
Other services, intangible assets, among others	Gross amount of the currency being transferred abroad

- Exports of goods and services — CET applies if the cash does not enter Ecuador within 180 days after the goods arrive at their destination or the service has started.

For imports that remain payable for a period longer than 12 months after the nationalization date, the CET must be paid on the day after the deadline stated.

If accounts receivable have been offset by accounts payable the currency exportation tax applies to the gross amount.

Fiji

A green tax has been introduced as follows (in Fiji dollars):

- The fiscal duty on motor spirits is increased from 44 cents to 46 cents per liter.
- The fiscal duty on industrial diesel oil is increased from 18 cents to 20 cents per liter.
- The green tax will not apply to white benzene, kerosene and premix.
- A duty rebate will apply of 2 cents per liter for inter-island vessels, bus and fishing industries.

The following changes also apply to fiscal duty:

- The fiscal duty on smartphones is to be reduced from 5% to 0%.
- The fiscal duty on cigarettes, tobacco and alcohol will increase by 10%.
- The fiscal duty applied to cool room freezer panels, boxes, cases, etc., made of Styrofoam is increased to 32%.
- The duty rate is also increased to 32% for imported milk and milk products.

The following changes apply to import excise duty:

- The duty on vegetables is to be reduced from 10% to 0% to bring the rate into line with the 0% duty applied to fruits.
- A duty of 15% will be imposed on articles made of plastic.

Finland

Effective 1 January 2013, the insurance premium tax rate increased from 23% to 24% (in line with the VAT rate).

Gambia

The Government has announced it will introduce a new tobacco taxation policy in 2013, which will result in a 25% increase in duty. Effective January 2013, an excise tax of 5 dalasi applies per pack of cigarettes (due to increase to 7 dalasi per pack in 2015) and an excise tax of 37.50 dalasi per kilogram applies to other tobacco products not in packs.

Guernsey (Channel Islands)

Effective 1 January 2013, the following duty increases apply:

- A 6% increase on tobacco products
- A 3% increase on alcohol
- An increase of £0.015 per liter of motor fuel

Hungary

A transaction tax applies to payment service providers that have a registered seat or branch in Hungary, credit institutions entitled to provide currency exchange services, and "special service intermediaries" of currency exchange services. The Hungarian National Bank is not subject to this tax. Payment services cover, among other things, postal orders, the issuance of bank cards and checks, services relating to cash payments made to and from payment accounts and all other activities relating to account management. The financial transaction tax must be paid by the service provider. As a general rule, the financial transaction tax rate is 0.2% of the tax base, capped at HUF6,000 (approximately €20) per payment transaction. Cash payments are, however, taxed at a higher rate of 0.3% (also capped at HUF6,000 per transaction) irrespective of whether the payment is made from a payment account or using a bank/credit card. Service providers that are subject to the financial transaction tax must report and pay their tax liabilities on a monthly basis by the 20th day of the month following the month when the transfer took place.

Minor amendments have been made to the insurance tax act, primarily to address settlement and procedural matters concerning the fire protection contribution (which is to be phased out). At the same time, the definition of a taxable premium has been extended to cover amounts that have not been booked as gross premiums under the accounting rules but nonetheless qualify as consideration for an insurance service.

Effective 1 January 2013, the excise duty on alcoholic products is raised by 10% and the tax on cigarettes and smoking tobacco is increased by 5% to 10%.

The excise duty on liquefied petroleum gas fuel is increased in two increments from 1 January 2013 and 1 May 2013.

Hungary (continued)

The excise security to be paid by distilleries operating exclusively on a contract basis is decreased, and the security to be paid by commercial distilleries producing a maximum of 20 hectoliters of alcohol has also been lowered.

Producers of pure vegetable oils are entitled to use those oils in their businesses. Also, tax refunds for commercial gas oils may be claimed monthly, rather than quarterly or yearly, and the relevant invoices or documents do not have to be attached to paper-based claims. Effective 1 January 2014, refund requests for gas oils in the agriculture sector must be filed electronically.

Effective 1 January 2013, damaged tax stamps may be replaced if certain procedural rules are met.

Also as of 2013, up to 10,000 liters of bottled fermented sparkling wine may be produced from wine grapes that farmers grow themselves for trading purposes in simplified excise duty warehouse.

Energy drinks that do not contain taurine but that have a relatively high methyl xanthine content, are subject to the snack tax (HUF40 per liters). Goods subject to the snack tax acquired from abroad are exempt if the taxpayer uses them in the production of its own goods in such a way that the prepackaged nature of the goods does not change.

Effective 1 January 2013, the tasks relating to taxation will fall within the competence of the tax authority. However, snack tax will still be reportable and payable to the customs authority until 14 February 2013.

Effective 1 January 2013, it is possible to take over green tax liabilities in cases where distributors sell on packaging equipment in an unchanged form and condition, or only refitted. Also, it will be possible to assume the liability repeatedly in the supply chain. Tasks relating to taxation of the green tax will once again fall to the tax organization of the national tax and customs authority, while supervisory tasks regarding the waste generated from products subject to green tax will fall within the competence of the customs organization of the national tax and customs authority. green tax returns should be filed and the tax paid to the customs authority by 14 February 2013 and thereafter to the tax authority.

A cultural tax applies to cable television providers and satellite and landline broadcasters that offer access to at least one adult channel to their subscribers.

A new tax applies to public utility lines, which will be collected annually. It will be an asset-based tax that forms part of the income of the central budget. The tax treatment of the public utility lines will be based on the status of the taxable asset as matters stand on the first day of the year. Similarly, the person liable to pay the tax will be the person who meets the conditions of taxability on the first day of the year. Public utility lines, telecommunication lines, public areas, proprietors and operators are among items defined in the new act. Tax liability based on the ownership of a public utility line will arise on the first day of the year following the actual date when the utility line in question was commissioned.

Ireland

Effective 6 December 2012, the excise duty on a standard 75cl bottle of wine increased by €1 (including VAT) per bottle, and the rate of excise duty on a pint of beer or cider and on a standard measure of spirits increased by €0.10 (including VAT).

Effective 6 December 2012, the excise duty on tobacco products increased by €0.10 (including VAT) per packet of 20 cigarettes and on a pro-rata basis for other tobacco products.

Effective 1 January 2013, the rates of motor tax increased for all cars, with average increases of approximately 6% for cars registered prior to 1 July 2008 (taxed according to their engine size) and 12% for cars registered on or after 1 July 2008 (taxed according to their level of CO2 emissions). At the same time, however, the rate of motor tax on electrical cars has decreased slightly.

Vehicle Registration Tax (VRT) is a one-off payment that applies at the time of registration of the vehicle in Ireland. Changes have been made to the CO2 bands used for assessing the tax payable; as a result, the number of VRT rate bands has increased from seven bands (ranging from 14% to 36%) to 11. This change is likely to mean an increased amount of VRT applies to the registration of nearly all types of cars.

Effective 1 May 2013, carbon tax will be extended to apply to solid fuels (e.g., peat and coal) at an initial rate of €10 per ton. The rate will increase to €20 per ton effective 1 May 2014.

Isle of Man

Effective 1 February 2013, machine games duty (MGD) will be payable at a single rate of 15% on the net takings of qualifying machines, i.e., machines where an individual plays for a cash prize greater than the smallest stake the machine accepts. The takings will be exempt from VAT. The current regime, according to which an interim duty on machines used for gambling purposes is levied and the takings of these gambling machines are subject to the standard VAT rate of 20%, will continue to apply to not qualifying machines.

Italy

Effective 19 December 2012 (under Article. 16, paragraph 3 of the Law Decree No. 504/1995) credits relating to taxpayers subject to excise duties may benefit from a privilege claim to debtors' movable properties up to the limit of the excise duty amount (the same level of privilege granted for tax credits to the tax authorities). The new formulation of this article established by Law Decree no. 179/2012 extends the privilege to the excise warehouse keepers for energy products.

Article 34, paragraph 43 of Law Decree No. 179/2012 requires that a "packing slip document" is issued when goods are commercially transferred for the first time.

Effective 1 January 2013, excise duty rates on fuel and diesel are €0.7284 per liter and €0.6174 per liter, respectively.

Effective 1 January 2013, in accordance with the EU Directive 2012/209/EU, controls on the intra-Community movements are extended to products with the following codes: NC 3811 11 10, 3811 11 90, 3811 19 00 and 3811 90 00.

To apply the reduced rates for energy products used for agricultural purposes, regions are required to use data obtained from the National Agricultural Information System.

The average consumption of diesel eligible for tax benefits is reduced by 10% for 2013 and by 5% for 2014.

Effective 1 March 2013, a new so-called "Tobin" tax will apply to financial transactions. The new tax will apply to transfer of ownership of shares and other equity instruments issued by companies resident in Italy, as well as of documents of title to these instruments (independent of the issuer's state of residence) charged at a rate of 0.2% based on the value of the transaction. The tax rate will be 0.1% if the transfer takes place on a regulated market. Exclusively for 2013, the tax rates are equal to 0.22% for transfers that occur on non-regulated markets and to 0.12% for transfers on regulated markets.

Effective 1 July 2013, the tax will apply to some financial derivatives (for example, those executed based on the above equity instruments). The tax rate will depend on the type of instrument used and on the value of the underlying contract.

An additional 0.02% tax will apply in the case of high-frequency financial trades in shares, equity instruments and derivatives operations. This additional tax will apply from 1 March 2013 to transfers of shares and equity instruments, and from 1 July 2013 to derivative operations connected with these instruments.

Jamaica

Effective 15 July 2012, a tax applies on telephone calls originating or terminating in Jamaica; the tax amount ranges from JMD0.05 to JMD0.075 per call.

Two taxes have been introduced that have an impact on tourism. Effective 1 August 2012, each foreign-arriving passenger is required to pay a tourist tax of US$20. Effective 1 September 2012, a per-night accommodation tax is levied on each occupied hotel room. The amount of the tax ranges from US$1 to US$4 per night, depending on the size of the hotel.

Malta

Excise duty rates have been increased on fuel by €0.02 per liter, on cement by €5 per ton and on cigarettes and tobacco by 6% and 8%, respectively.

Mauritius

Effective 1 January 2013, the 15% concessionary excise duty rate is restricted to the first MUR1.5 million import value on a motor vehicle of a returning resident.

Mexico

Effective 1 January 2013, beer with a 14% alcohol content is subject to a 26.5% excise tax rate (instead of the 26% tax rate previously approved for 2013). Alcoholic beverages and beer with a 20% alcohol content or more are subject to a 53% excise tax rate (instead of the 52% excise tax rate previously approved).

Moldova

Effective 1 January 2013, the duties for most excisable goods (such as gasoline, diesel oil, beer, cigarettes and ethyl alcohol) have been increased. Customs duties for some goods imported in Moldova (e.g., soaps, gums and caps) have also increased.

New Zealand

Effective 1 January 2013, excise and excise-equivalent duty rates on tobacco and tobacco products have undergone the annual indexation increase (based on movement in the Consumers Price Index), as well as a separate 10% increase.

Nigeria

Effective 1 January 2013, a levies of 50% and 60% apply to imported raw sugar and refined sugar, respectively; and a levy of 100% applies to imported brown and polished rice. This measure will take effect, subject to the administrative and legislative processes required being enacted.

Norway

Effective 1 January 2013, the motor vehicle re-registration tax is reduced by 40% for commercial vehicles and by 12% for other motor vehicles. At the same time, the environmental components of the motor vehicle registration tax have been strengthened by placing more emphasis on the CO2 and NOX emissions of the vehicle and less emphasis on its engine size. The CO2 tax on petroleum activities has also been increased by NOK200 per ton.

The excise duty on non-alcoholic beverages has been increased to the same level as the excise duty on light beer.

Effective 1 January 2013, the excise liability for mineral oil and gasoline is now tied to the boiling point of the oil.

The Customs Credit account system has been changed. Instead of the current system whereby a credit fee is charged for each entry declaration in a Customs Credit account, customers will be charged a fee of NOK100 per month for each month when the Customs Credit account has been used, regardless of the number of declarations. The use of electronic bank statements in "Altinn" will become obligatory in 2013.

Netherlands

The temporary reduction in the property transfer tax from 6% to 2% that was to last until 31 June 2012 has been continued on a permanent basis.

The bank levy is doubled from 0.022% to 0.044% for short-term liabilities and from 0.011% to 0.022% for long-term liabilities.

The green tax on polluting energy has increased.

Effective 1 January 2013, the Insurance Premium Tax (IPT) rate in the Netherlands has increased from 9.7% to 21%. The new rate applies to insurance premiums that mature after 31 December 2012.

Nicaragua

Effective 1 January 2013, a new excise tax applies on fuels sold or imported into Nicaragua, including the import and nationalization of goods derived from petroleum.

Tax rates are included in the following table:

Product	Customs tariff	US$/gallon	
		Pacific/Center	Atlantic
Turbo	2710.11.20.10	US$0.0023	US$0.0023
Avgas	2710.11.20.20	US$0.2384	US$0.2384
Premium gasoline	2710.11.30.10	US$0.6985	US$0.1845
Regular gasoline	2710.11.30.20	US$0.1837	US$0.1131
Varsol	2710.11.40.10	US$0.0456	US$0.0456
Kerosene	2710.19.11.00	US$0.1115	US$0.0579
Diesel	2710.19.21.00	US$0.1430	US$0.1081
Fuel oil	2716.00.00.00	Exempt	Exempt
Energy			
Fuel oil	2710.19.23.00	US$0.0498	US$0.0498
Others			
Asphalt	2715.00.00.00	US$0.0498	US$0.1230

The taxable base for calculating custom duties and taxes on imports may be summarized as follows:

Taxable base for importation of goods												
Customs duties	=	CIF value										
Selective consumption tax (ISC) or tax on fuels (IECC)	=	CIF value	+	Customs duties	+	TSIM	+	Storage expenses	+	Other expense		
Value added tax (VAT)	=	CIF value	+	Customs duties	+	TSIM	+	ISC or IECC	+	Storage expense	+	Other expenses
Customs services fee (TSIM)	=	US$0.50 rate per each ton or fraction imported										

Philippines

Effective 1 January 2013, a uniform *ad valorem* tax rate is imposed on distilled spirits at a rate of 15% (for 2013–14) and 20% (from 2015 onwards) based on the net retail price (NRP) per percentage proof and a specific tax rate of PHP20 per proof liter. These *ad valorem* and specific tax rates will be increased at a rate of 4% starting January 2016.

Effective 1 January 2013, specific taxes on wines per liter of volume capacity apply as follows:

- Sparkling wines per 750ml with a NRP of PHP500 or less, at a rate of PHP250, and with a NRP of more than PHP500, at a rate of PHP700.
- Still wines and carbonated wines containing 14% of alcohol by volume or less, at a rate of PHP30, and containing more than 14% but not exceeding 25% of alcohol by volume, at a rate of PHP60.
- Fortified wines containing more than 25% of alcohol by volume will be taxed as distilled spirits.
- These rates will be increased at the rate of 4% effective January 2014.

Effective 1 January 2013, the specific tax rates on fermented liquor are as follows:

- NRP per liter of volume capacity of PHP50.60 or less, at a rate of PHP15 (for 2013), PHP17 (for 2014), PHP19 (for 2015), PHP21 (for 2016) and PHP23.50 (for 2017).
- NRP per liter of volume capacity of more than PHP50.60, at a rate of PHP20 (for 2013), PHP21 (for 2014), PHP22 (for 2015), PHP23 (for 2016) and PHP23.50 (for 2017).
- These rates will be increased at a rate of 4% effective January 2018.

Effective 1 January 2013, specific taxes for cigarettes packed by machine are as follows:

- NPR per pack of PHP11.50 or less at a rate of PHP12 (for 2013), PHP17 (for 2014), PHP21 (for 2015), PHP25 (for 2016) and PHP30 (for 2017)
- NPR per pack of more than PHP11.50 at PHP25 (for 2013), PHP27 (for 2014), PHP28 (for 2015), PHP29 (for 2016) and PHP30 (for 2017).
- These rates will be increased at a rate of 4% effective January 2018.

Romania

Effective 1 January 2013, the following provisions apply:

- The restriction concerning the exclusive storage of excise goods in tax warehouses, which applied to certain manufacturers of energy products or cigarettes and related parties, has been eliminated.
- The possibility for the exclusive storage of alcoholic beverages under a duty suspension procedure has been reintroduced.
- Products (in principle, additives) falling under codes NC 38111110, 38111190, 38119000 are subject to the provisions on the control and movement of excise goods.
- The excise duty rate for diesel oil is €391 per ton (up to 31 December 2012 the rate was of €374 per ton).

Romania (continued)

Effective 1 February 2013, a number of new taxes related to energy:

- A tax applies to the activities of companies that transport electricity and natural gas and certain distributors of electricity and natural gas (natural monopolies) that hold licenses issued by ANRE. The tax is charged for each megawatt hour (MWh) of electricity or natural gas transportation or distribution services invoiced The tax ranges from RON0.1 to RON0.85 per MWh.
- Companies (including their subsidiaries and/or economic operators in the same economic interest group) exploiting natural resources other than natural gas (such as timber, coal, crude and ore) are liable to pay a tax of 0.5% of their revenues (computed based on specific regulations).
- A 60% tax will be charged on the supplementary revenues derived by natural gas producers (including their subsidiaries and/or economic operators in the same economic interest group) that also supply natural gas extracted from Romania to final consumers, from the deregulation of natural gas prices for supplies made to final consumers. The taxable base is computed by deducting from the supplementary revenues:
  - The related royalties
  - Upstream investments, capped at 30% of the supplementary revenues

These taxes are payable on a monthly basis by the 25 day of the following month and they apply until 31 December 2014.

Rwanda

Gaming operators are now required to pay a gaming tax at a rate of 13% on all gaming activities, including betting and casino activities. In addition, winnings at any gaming center are subject to a withholding tax of 15%.

Saint Lucia

Effective 1 October 2012, the new VAT regime entered into force. In order to cushion the VAT's impact, the Government announced that import duties will not be levied on medicines for a four-year period from 1 May 2012 (retroactively) to 30 April 2016. Previously, import duty was levied on medicines at a rate of 10%.

Slovenia

Effective 1 March 2013, a 6.5% financial services tax will apply to a range of financial transactions, including:

- Monetary credits or loans
- Credit warranties and other monetary warranties
- Deposits, bank accounts, payments, debts, checks and other payment instruments
- Legal tender such as currency, bank notes and coins
- Services of insurance agents and intermediaries

Financial services subject to VAT or insurance premium tax and services performed by or for central banks, diplomatic or EU institutions are exempt from the financial services tax.

South Africa

The final design of the carbon tax is expected to be announced in 2013, following a consultation period based on the Government's carbon tax policy paper. Legislation on the new tax is expected to follow during the latter half of 2013.

Spain

Effective 1 January 2013, the tax on retail sales of some fuels (IVMDH or *Céntimo Sanitario*), introduced in 2002 has been abolished. The tax was levied on motor fuels sold at petrol stations and the tax income was devoted to financing the health care systems administered by regional governments.

A number of changes relate to the energy sector (e.g., a 7% tax on electricity production). Natural gas for purposes other than fuel and natural gas intended for use as fuel in certain engines is taxed at €0.65 per gigajoule. A reduced rate (€0.15 per gigajoule) applies to natural gas intended for professional use, provided it is not used to produce electricity. New tax rates apply to gas oil (€29.15 per 1,000 liters) and fuel oil (€12.00 per ton) used for the production of electricity in electricity power stations or for the production of electricity or the cogeneration of electricity and of heat in combined power stations.

No transfer tax will apply to certain transfers of shares in entities that mainly own real state used for business purposes. Transfer tax applies to VAT-exempt supplies of real state.

Effective 1 July 2013, transport within Spain of goods subject to excise duties (i.e., under a suspension regime or where reduced or flat rates have been applied) must be accompanied by electronic documentation.

Sri Lanka

Effective 1 January 2013, the telecommunication levy applicable to internet tariffs reduced from 20% to 10%.

Solar power systems and other renewable energy equipment are exempt from import duties. Go-carts and other specially designed vehicles are also exempted from excise duty.

Sweden

Effective 1 January 2013, the following changes apply:

- Excise duties on tobacco have increased.
- Certain movements of alcohol in the Swedish territory are considered to be under excise duty suspension without an e-AD form, provided that the goods are sent from small wine producers.
- All energy products intended to be consumed or sold as a fuel additive or to increase the fuel volume are subject to carbon and energy tax.
- Fuel additives under CN 3811 are included in EMCS.
- Simplified rules apply to the suspension of excise duty on imported excise goods.

It has been proposed that the exemption from carbon and energy tax on biofuels (such as ethanol, ETBE, RME, FAME and HVO) blended in gasoline or diesel be replaced by deductibility. The deductibility level will vary for different biofuels and would be allowed only for certain levels of blending. The effective date for this measure has not yet been decided.

Switzerland

Effective 1 April 2013, excise duty on cigarettes will increase from CHF395 to CHF400 per 1,000 cigarettes, which results in an increase of CHF0.10 to CHF8 per pack of 20.

Turkey

Effective 1 January 2013, minimum fixed tax amounts and proportional tax rates for the products listed in Table (B) of List (III) attached to the Special Consumption Tax Law (tobacco and tobacco products) have been rearranged and the fixed tax amounts have been announced.

Stamp Duty Law General Communiqué series no. 56 was published in the Official Gazette dated 1 January 2013, and according to the general communiqué, fixed tax amounts have been increased by 15%, including proportional tax rates and revaluation rates applied in 2012 for the papers listed in Table (1) attached to the Stamp Duty Law.

In addition, effective from 22 September 2012, the Special Consumption Tax on alcoholic beverages and on vehicles with an engine capacity less than 1,600 cm^3 has been increased. Land registry title fees were increased to 0.02% from 0.0165%.

Ukraine

Effective 3 January 2013, Ukraine introduced an excise tax on the disposal of Ukrainian securities and on transactions involving derivatives. The tax applies to sellers of securities, or persons performing transactions in derivatives, regardless of whether they are resident or non-resident. It applies to individuals and legal entities (except state authorities).

The obligation to administer the tax lies with the tax agent, which, in the majority of cases, is the securities trader. For derivatives transactions, the excise tax is payable by both parties to the contract. Tax rates range from 0% to 1.5% of the contract value and a number of tax exemptions apply.

United Kingdom

Effective 1 April 2013, air passenger duty (APD) rates will increase in line with inflation. From the same date, APD will be extended to business jets and smaller aircraft. Luxury business jets will be subject to new premium rates of APD — set at double the prevailing standard business/first class rates of APD.

Effective 1 February 2013, amusement machine license duty (AMLD) is replaced by a new machine games duty (MGD). Games played on machines which are liable to MGD are exempt from VAT. Only gaming machines with cash prizes are within the scope of MGD. There are two rates of MGD: the standard rate of 20% and the lower rate of 5%, calculated on machines' net takings. The lower rate of MGD applies to machines with maximum stakes of £0.10 and maximum cash prizes of £8, while the standard rate applies to all other dutiable machines.

Effective 1 April 2013, the standard rate of landfill tax (LFT) will increase by £8 per ton to £72 per ton. However, the lower rate of LFT will remain frozen at £2.50 per ton.

Effective 1 April 2013, the rate of aggregates levy will increase from £2 to £2.10 per ton.

Effective 1 April 2013, the UK VAT administration will introduce a carbon price floor. Supplies of fossil fuels used in most forms of electricity generation will become liable either to the climate change levy or fuel duty from that date. Such supplies will be charged at the relevant carbon price support rate, depending on the type of fossil fuel used, which will be based on the average carbon content of each fossil fuel and will reflect the difference between the future market price of carbon and the floor price determined by the UK VAT administration.

Also effective 1 April 2013, climate change levy (CCL) rates will increase in line with inflation. From the same date, the reduced rate of CCL on electricity will be amended from 35% to 10% of the main CCL rate.

The £0.302 per liter fuel duty increase that was due to take effect on 1 January 2013 has been canceled. In addition, the fuel duty increase that was planned for 1 April 2013 will now be deferred until 1 September 2013.

Effective 1 January 2014, tobacco-free (herbal) smoking products will become liable to tobacco duty at the same rate as their tobacco counterparts. However, a limited exemption will be maintained for herbal smoking products that are used exclusively for medicinal purposes.

US Virgin Islands

The fuel tax rate has increased from 7 cents per gallon to 14 cents per gallon. The fuel tax is imposed upon the sale of gasoline and diesel fuel manufactured, sold or consumed in the US Virgin Islands. The tax is imposed on the manufacturer or importer of the fuel.

Uzbekistan

Effective 1 January 2013, the excise duty increased on wine by 5%, on ethyl alcohol by 15% and on other types of alcoholic beverages by 20%. The rate increased for tobacco products by 25%.

Vietnam

Before 15 November 2012, the regulation provided that the foreign traders without a presence in Vietnam may register to import goods into Vietnam without setting up a legal entity. However, there have been no detailed guidance on this registration was issued and, in practice, we are not aware of any cases where the registration was approved. From 15 November 2012, the Government issued a regulation providing guidance for implementation of these positions.

Effective 15 November 2012, imported nylon (plastic) bags used for manufacturing of exported goods are exempted from Environment Protection Tax.

Zambia

Effective 13 October 2012, the Zambian government has suspended import duty on tourism-related equipment as an incentive to develop the tourism industry. The duty is also suspended on new motor vehicles purchased by tourism enterprises that offer services, as well as for new articles and equipment used to furnish or refurbish accommodation and catering facilities by businesses licensed as tourism enterprises.

Zimbabwe

Effective 1 December 2012, the following excise duty changes apply:

- Excise duty on locally produced clear beer increased from 40% to 45%.
- Excise duty is imposed on imported clear beer at the greater of ZWL0.45 per liter and 45%.
- Excise duty on cigarettes increased from ZWL10 per 1,000 to ZWL15 per 1,000.
- Used motor vehicles donated to the government by international organizations on completion of projects under Technical Cooperation Agreements are exempt from 5% excise duty.
- A suspension of customs duty on vehicles used in tourism applies until June 2013.
- A rebate of duty applies on selected building material donated to religious organizations
- A rebate of customs duty applies to fiscal devices.
- A 25% surtax applies on selected groceries and consumer goods, to protect domestic producers.
- The customs duty on chickens is now 40% or ZWL1.50 per kilogram, whichever is greater.

3

Customs dut international

Free trade agreements 96

Significant country developments 2012-13 97

Customs duty and international trade map 114

ty and
l trade

Free Trade Agreements

The following Free Trade Agreements entered into force during 2012 or are slated to go into effect during early 2013:

- Mexico and Peru (February 2012)
- Japan and Peru (March 2012)
- South Korea and United States (March 2012)
- Chile-Malaysia (April 2012)
- Colombia and United States (May 2012)
- Panama and Peru (May 2012)
- Ukraine and European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) (May 2012)
- Mexico and Central American Countries (Costa Rica-El Salvador-Guatemala-Honduras-Nicaragua) (approval per country: to date, Mexico, January 2012; Costa Rico, December 2012; Honduras, January 2013)
- Belarus-Russia-Ukraine and Commonwealth of Independent States (September 2012)
- Moldova and Commonwealth of Independent States (September 2012)
- Canada-Jordan (October 2012)
- Panama and United States (October 2012)
- Montenegro and European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) (September–November 2012)
- Hong Kong and European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) (October–November 2012)
- Indonesia and Pakistan (expected January 2013)
- EU and Colombia-Peru (expected first-quarter 2013)

Significant country developments 2012-13

Albania

Albania has adopted the Harmonized Tariff Schedule based on the international Harmonized Commodity Coding and Classification System established by the World Customs Organization. Its use will come into effect starting on 1 January 2014.

Algeria

Algeria and the EU have signed a new trade agreement modifying a previous 2005 trade agreement; the new agreement delays the lifting of tariffs from 2017 to 2020.

Argentina

Argentina requires significant new import documentation effective 1 February 2012. Argentina's Federal Administration of Public Revenue (*Administración Federal de Ingresos Públicos*: AFIP) issued Resolution 3252/2012, which requires all importers to submit to the tax agency additional documentation in advance of importing goods into Argentina. The information provided on the Advance Import Information Affidavit (*Declaración Jurada Anticipada de Información*; DJAI) will be shared with other agencies according to the nature of the goods and importation cannot take place without prior approval. The resolution went into effect as of 1 February 2012.

Argentina no longer qualifies for benefits under the Generalized System of Preferences (GSP) of the United States (US). Goods of Argentine origin entered or withdrawn from warehouse for consumption on or after 28 May 2012 are ineligible for preferential duty rates under the US GSP.

Argentina and Mexico each suspended preferential duties for each other's automobiles. Argentina initially suspended for three years an automobile free trade agreement with Mexico following an agreement signed between Mexico and Brazil, which Argentina claims violates the *Mercado Común del Sur* (MERCOSUR)[1] – Mexico Pact. Mexico subsequently withdrew preferences for Argentinean vehicles and parts.

Aruba

Effective 1 January 2013, the import duties were reduced to 2% for the following goods provided that specific statutory requirements are met: air conditioners, refrigerators and freezers, solar-powered water heaters and other similar appliances, washing machines, compact fluorescent lamps and LED-lamps.

1. Argentina, Brazil, Paraguay, Uruguay and Venezuela. Bolivia became an accessing member on 7 December 2012, but this is to be ratified by the member states.

Australia

Australia's Customs and Border Protection Service issued for comment a proposed amendment of the definition of "production assist costs" in section 154(1) of the Customs Act 1901 to bring the definition into line with the WTO Valuation Agreement.

Australian Customs and Border Protection Notice 2012/30, dated 4 June 2012, announced that the amendments to Article 3 of the Australia – New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) entered into force on 30 May 2012.

Australia provided partial remission of customs duty on liquefied natural gas (LNG) and liquefied petroleum gas (LPG) for non-transport purposes.

Australian Customs and Border Protection announced that the rates of customs and excise duties on certain spirits, beer and tobacco have been increased according to the indexation provisions in the Customs Tariff Act 1995. The increases are effective 1 August 2012.

The Australian Customs and Border Protection Service provided notice for public comment for the Customs Amendment (Miscellaneous Measures) Bill 2012. The bill includes a number of amendments to valuation definitions in line with the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (WTO Customs Valuation Agreement) and introduces new strict liability for bringing "restricted goods" into Australia, among others.

Australia has increased the value of penalty units in Commonwealth legislation, including penalties imposed under the Customs Act 1901. The increase is from AU$110 to AU$170 per unit.

Azerbaijan

Azerbaijan's Cabinet of Ministers adopted a decree implementing a simplified customs procedure for the importation of goods for natural disasters and other emergencies, live animals, radioactive materials, perishable goods and others.

Azerbaijan and Macedonia signed a customs cooperation agreement.

Azerbaijan adopted a new procedure for calculating customs debt for value-added tax.

Azerbaijan exempted from VAT and customs duties goods, materials and equipment for the construction of an oil well cement plant. The Cabinet of Ministers' Decision signed on 19 July 2012 went into effect 30 days after signing and it is valid until 1 January 2014.

Azerbaijan's Cabinet of Ministers issued Decision No. 228 dated 12 October 2012, "Rules for issuing permits by customs authorities for different customs operations or procedures."

Azerbaijan's Cabinet of Ministers issued Decision No. 353 dated 31 October 2012, "Rules for placing re-export goods undergoing customs procedures."

Belarus

Belarus and Serbia signed an agreement on mutual assistance in customs affairs.

Brazil

Brazil and the US signed a customs cooperation agreement.

Brazil announced plans to implement an up to 25% duty increase on 100 items to protect local industry. Items considered for duty increase include tires, motors, freight cars and consumer products.

Canada

The Canada Border Services Agency (CBSA) issued Customs Notice 12-001 dated 18 January 2012, which announced the agency's new Mandatory Electronic Export Reporting Policy for exporters.

Steel and steel products imported into Canada are now eligible for Customs Self Assessment (CSA) clearance and are exempt from General Import Permit (GIP) requirements if using CSA under Customs Notice 12-011. If using other customs release processes, applicable GIP requirements must be met.

CBSA issued Notice 12-012, effective 12 April 2012, which explains new requirements for importers of certain regulated energy-using products.

CBSA amended the Departmental Consolidation of the Customs Tariff effective 28 September 2012 to implement certain legislative amendments, under Customs Notice 12-028.

Canada and Israel signed a customs mutual assistance agreement.

China

The Ministry of Finance's State Council Tariff Commission issued the 2012 Tariff Implementation Plan, providing non-preferential and preferential import duty rates, quotas and export tax rates.

China issued General Administration of Customs Announcement No. 74 of 2011 on 22 February 2012 regarding recent amendments to the China — Association of Southeast Asian Nations (ASEAN)[2] Free Trade Area rules of origin (product-specific origin criteria).

China granted VAT and custom duty exemptions for non-priced equipment imported by outward processing entities if such entities become foreign investment corporations and meet a number of additional requirements, according to the China General Administration of Customs Announcement No. 7 dated 8 February 2012.

China's General Administration of Customs issued Customs Notice No. 15, providing a revised Classification Table for Goods Imported into the People's Republic of China, including the relevant tariff rates and a revised Table of Customs Value for Goods Imported into the country. The effective date is 15 April 2012. The valuation table for various imports is based on international market prices, foreign market prices and domestic prices. While customs officers usually accept the importer's valuation, in cases where the declared value is either two times or greater, or one-half or less than the value provided in the table, customs will determine the acceptable value under the applicable law.

Mainland China and Taiwan signed agreements on investment protection and customs cooperation.

Costa Rica

On 28 September 2012, Law 9069, which modified certain articles of the General Customs Law, entered into force.

The main modifications are focused on the administrative procedures relating to appeals and dispute resolution.

Croatia

Croatia and Kosovo signed an economic cooperation agreement.

2. Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Burma (Myanmar), Cambodia, Laos and Vietnam.

Customs Union of Russia, Kazakhstan and Belarus

The Customs Union Commission was disbanded and replaced by the Eurasian Economic Commission as regulator of inter-country integration within the Customs Union and Common Economic Space.

The revised Customs Union single tariff, which contains over 2,500 amendments related to Russia's accession to the WTO, went into effect on 23 August 2012.

The Board of the Eurasian Economic Commission issued a resolution dated 18 September 2012 to include a number of ozone-depleting substances on the joint list of goods subject to prohibitions or restrictions in the cases of import or export by the member states of the customs union in trade with third countries.

Cyprus

Cyprus and Russia signed a memorandum of understanding on customs cooperation.

Dominica

Effective 1 September 2012, the import duty on firearms increased from 45% to 50% and on tobacco from 45% to 75%.

European Union

Council Regulation (EU) No. 1232/2011 amended the dual use export control regime promulgated under Council Regulation (EC) No. 428/2009. The changes included provisions and requirements for a number of new EU General Export Authorizations.

The EU adopted Council Regulation (EU) No. 36/2012 of 18 January 2012 concerning restrictive measures in view of the situation in Syria and repealing Regulation (EU) No. 442/2011. The regulation imposed new restrictions on the Syrian oil and gas industry and those participating in certain electricity generating projects. Additional measures were adopted in Council Regulation (EU) No. 168/2012 of 27 February 2012 in the form of travel bans and asset freezes on seven Syrian cabinet ministers in addition to freezing the assets of the Syrian Central Bank and banning direct and indirect trade in gold, precious metals and diamonds with Syrian state institutions. Further amendments to economic sanctions on Syria were issued by Council Implementing Regulation (EU) No. 410/2012 of 14 May 2012, Council Regulation (EU) No. 509/2012 of 15 June 2012, and Council Regulation (EU) No. 867/2012 of 24 September 2012.

European Union (continued)

The EU revised and expanded sanctions against Iran. The new EU sanctions include a phased embargo of Iranian crude oil, petroleum products and petrochemical products targeting EU imports, purchases and transports, as well as related finance and insurance, and imposed asset freezes against the Iranian Central Bank, eight other entities and three members of the Islamic Revolutionary Guards Corps. The sanctions prohibit any EU exports of key equipment and technology for the petrochemical sector to Iran or Iranian business abroad; investments and joint ventures with Iranian petrochemical companies and trade in gold, precious metals and diamonds with Iranian public bodies and the Iranian Central Bank.

The European Commission issued Commission Implementing Regulation (EU) No. 80/2012 of 31 January 2012 providing customs duty relief for biological or chemical substances for which there is no equivalent production in the EU and where these substances are imported exclusively for noncommercial purposes by public establishments or officially authorized private establishments for education or scientific research.

The EU extended certain sanctions against Bosnia and Herzegovina for an additional year in Council Decision 2012/158/CFSP of 19 March 2012 amending Decision 2011/173/CFSP.

The EU suspended certain economic sanctions against Burma (Myanmar) but retained the arms embargo and the embargo on equipment which might be used for internal repression in Council Decision 2012/225/CFSP of 26 April 2012 amending Decision 2010/232/CFSP and Council Regulation (EU) No. 409/2012 of 14 May 2012.

The European Parliament adopted a resolution to revise a number of provisions of the EU GSP scheme including removing from the list of beneficiary countries those where per capita income has exceeded US$4,000 for four years in a row and countries that have bilateral trade agreements with the EU.

The EU issued Council Regulation (EU) No. 617/2012 of 10 July 2012 amending Council Regulation (EC) No. 174/2005 imposing restrictions on the supply of assistance related to military activities to Côte d'Ivoire.

The EU Commission updated a number of the Community Customs Code implementing provisions in Commission Implementing Regulation (EU) No. 756/2012 of 20 August 2012.

Georgia

Georgia and the European Free Trade Association (Switzerland, Norway, Iceland and Liechtenstein) signed a Declaration on Cooperation in Trade and Investment.

Gulf Cooperation Council

The Gulf Cooperation Council (GCC) Customs Committee approved a proposal to eliminate duty and other customs fees on imported goods to be used by people with special needs, such as crutches, hearing aids, electronic machines for the blind and others.

Hong Kong (SAR)

Hong Kong (a special administrative region of China) and Mongolia signed a customs cooperative arrangement.

Hong Kong's Customs and Excise Department now require importers and exporters to complete declarations according to the recently amended Hong Kong Imports and Exports Classification List (Harmonized System) effective 1 January 2013.

India

In Circular No. 19/2012, India's Central Board of Excise and Customs (CBEC) has ruled that because mouse pads are not essential for the functioning of the computer, they may be classified as neither parts nor accessories of a computer, but according to their constituent material.

India has reduced the number of items on the South Asian Free Trade Area (SAFTA) Sensitive List for non-least-developed countries (items on the sensitive list are subject to duty, while items on general lists are duty free).

Effective 17 September 2012, India's Central Board of Excise and Customs began requiring e-payments from certain importers, in Notification No. 83/2012-Customs.

Japan

Japan and South Africa signed a bilateral customs cooperation agreement effective 3 July 2012.

Japan customs published extensive information with regard to the advance filing rules to be implemented by March 2014 under a recent amendment of the Customs Tariff Law and other relevant laws. The rules require a vessel operator or a non-vessel operating common carrier to electronically submit customs information no later than 24 hours before departure of the vessel from a port of loading. Failure to comply may subject the vessel operator or carrier to criminal and civil penalties.

Kazakhstan

Kazakhstan and the United Arab Emirates signed a customs cooperation agreement.

Kenya

Kenya and Ethiopia signed a special status agreement aimed at promoting economic ties and developing trade and investment between the two countries.

Laos

Laos joined the WTO on 2 February 2013.

Liberia

Liberia exempts from customs duties fuel imported for use by the Liberia Electricity Corporation (LEC), the Liberia Broadcasting System (LBS), the National Transit Authority (NTA), and schools, clinics and hospitals that are deemed by the Minister of Finance to be inadequately covered by Government's budgetary appropriation or subsidies.

Mexico

Mexico joined the Wassenaar Arrangement effective 25 January 2012. This makes it the 41st nation to adopt Wassenaar-based export controls.

Mexico amended the list of goods for which the importation, exportation, entry or exit is subject to health regulations, amending the preceding accord, which establishes the classification and codification of merchandise and products subject to health regulations administered by the Secretariat of Health (23 March 2012).

Mexico and Brazil signed an agreement, effective 19 March 2012, to limit trade in vehicles between the two countries over the next three years to make up for the current trade deficit favoring Mexico.

Mexico signed customs cooperation agreements with China, the Philippines, Italy and South Korea.

Mexico and Norway issued a Protocol effective 1 August 2012 to their agriculture agreement amending the definition of "direct transport" of originating products and providing explanatory notes and examples on the topic.

Mexico increased duties (from 0% to up to 20%) on cars, auto parts and machinery imported from Argentina after Argentina suspended the ACE-55 (ACE: *Acuerdo de Complementación Económica* — Economic Complementation Agreement) trade agreement. The duty increase is effective retroactively from 26 June 2012.

The Nuclear Suppliers Group (NSG) admitted Mexico as an Observer State at the NSG Plenary held in Seattle in June 2012. The Mexican government already has amended certain export control requirements in line with the standards established by the NSG.

Mexico's President has issued a decree amending duty rates under the General Tax on Imports and Exports Law. The amendment affects certain subheadings from Chapters 61 to 64 of Mexico's tariff Schedule, effective 1 January 2013.

Moldova

Moldova's Parliament ratified the country's membership in the Commonwealth of Independent States (CIS) free trade agreement on 27 September 2012. The Parliament rejected a proposal to join the Russia–Belarus–Kazakhstan customs union.

Nigeria

The Nigerian Government announced through the 2013 budget proposals the following tariff measures effective 1 January 2013:

- An import duty of 10% and 20% applies to raw sugar and refined sugar, respectively.
- An import duty of 20% applies to both brown and polished rice.
- Commercial aircraft and aircraft spare parts attract 0% duty
- Machinery and equipment imported for use in the solid minerals sector attract 0% duty.
- Completely knocked-down components (CKD) for mass transit buses of at least 40-seater capacity attract 0% duty.

Pakistan

Pakistan and India signed three trade agreements: a customs cooperation agreement, a mutual recognition agreement and a redress of trade grievances agreement.

Peru

Peru promulgated a decree indicating which foreign companies from countries that have a free trade agreement with Peru may participate in Government procurement projects without the need for a local subsidiary. Peru is not a signatory of the WTO Government Procurement Agreement.

Russia

Russia joined the WTO on 22 August 2012, becoming its 156th member.

Russia adopted a new customs tariff policy for 2013–15 taking into account Russia's obligations under the protocol of its accession to the WTO.

Russia's Federal Customs Service was accused of giving unfair preferential treatment to Apple iPads with GPS (global positioning system) by classifying them as "automatic data processing machines" under heading 8471, which is duty free, and classifying similar products from other manufacturers as "navigation devices" under heading 8526 subject to 5% duty rate. The Federal Antimonopoly Service claims the classification should not be different depending solely on the brand of the merchandise and has initiated action against the Customs Service.

The Council of the EU has approved the Agreement signed on 16 December 2011 between the EU and the Government of the Russian Federation on trade in parts and components of motor vehicles between the EU and the Russian Federation.

Saudi Arabia

Saudi Arabia and Turkey signed a customs cooperation agreement.

South Korea

South Korea lifted a ban on imports from Canada of beef products from cattle more than 30 months old. The ban was imposed in 2003 following a report of a case of "mad cow disease" (bovine spongiform encephalopathy) in Canada.

South Korea and the United Arab Emirates signed a customs technical and administrative cooperation agreement.

Switzerland

In line with the e-government strategy of the Swiss customs authority, new regulations related to the customs clearance declaration came into force on 1 January 2013. Customs clearance declarations must now be filed electronically via the customs declaration system "E-dec" both for imports and exports of goods. With a few exceptions, documents in paper form are no longer accepted.

Switzerland is a member of European Free Trade Agreement (EFTA) that has entered into a free trade agreement with Hong Kong as of 1 October 2012. The free trade agreement is concluded on a multilateral basis between the contracting parties and makes tariff preferences for goods in Chapters 25 to 97 of the customs tariff, for processed goods, and for fish and seafood. Furthermore, the agreement contains a bilateral clause between Hong Kong and Switzerland for tariff preferences for certain agricultural product in Chapters 1 to 24.

Taiwan

Taiwan and Germany signed a customs cooperation agreement.

Thailand

In December 2012, the Thai Cabinet approved a proposed free trade agreement between Thailand and the EU and forwarded the proposal to Parliament.

Turkey

Turkey and the Netherlands signed a memorandum of understanding for cooperation in customs matters.

Ukraine

Ukraine and Argentina signed a customs cooperation agreement aiming to prevent, investigate and end customs violations.

Ukraine's new Customs Code went into effect on 1 June 2012.

The Ukraine-EU Strategic Framework for Customs Cooperation went into effect on 25 June 2012.

Ukraine's President ratified a free trade zone agreement with the Commonwealth of Independent States (CIS).[3]

Ukraine and the Eurasian Economic Commission of the Union of Russia, Belarus and Kazakhstan signed a memorandum on trade and economic cooperation, and cooperation in the field of technical regulation.

The President of Ukraine has approved an action plan for 2012–21 in line with Ukraine's commitments under the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction.

3. The CIS currently includes Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Uzbekistan; Turkmenistan and Ukraine are unofficial members; Georgia withdrew in 2009.

United Arab Emirates

The United Arab Emirates (UAE) lifted a ban on imports from the US of beef products from cattle more than 30 months old. The ban was imposed in 2006 following a US case reported in 2003 of "mad cow disease" (bovine spongiform encephalopathy).

United Kingdom

The United Kingdom (UK) revised its policies to indicate that no export licenses for military or dual-use goods and technology intended to be supplied to Argentina's armed forces will be granted in the future.

The United Kingdom's HM Revenue and Customs (HMRC) has issued a new beginners Guide for Importing and Exporting.

The Export Control Organisation (ECO) in the Department of Business, Innvoation and Skills (BIS) has updated the UK Strategic Export Control Lists: The Consolidated List of Strategic Military and Dual-Use Items That Require Export Authorization (effective 15 June 2012) to reflect EU updates to the Dual Use List. The ECO also amended 12 open general export licenses (OGELs) to reflect the updates.

The ECO has published a revised version of the OGEL (Military Components) in plain English in line with the UK's Plain English Campaign to make licenses more user-friendly. Additionally, the new version, which became effective on 31 July 2012, no longer permits the export or transfer of technology controlled under category ML22 of the UK Military List.

The ECO published a directive, effective 10 August 2012, which implements the EU's Directive 2009/43/EC (Intra-Community Transfer or "ICT" Directive), related to intra-EU transfers of defense-related products.

The United Kingdom's rules of origin for various countries are provided in HMRC Notice 828 Tariff Preferences: Rules of Origin for Various Countries.

The ECO published information regarding a number of revised sanctions measures that the EU has issued recently against Belarus, Eritrea, Iran, Somalia and Syria.

United States of America

The Customs and Border Protection (CBP), HQ Quota Branch, Textile/Apparel Policy and Programs Division, published Quota information for the trade community, 2012 Quota Book Transmittals.

CBP issued revised guidance for post-importation preference program claims under 19 USC 1520(d) under the following free trade agreements:

- The North American Free Trade Agreement (NAFTA)
- The Chile Free Trade Agreement (CFTA)
- The Oman Free Trade Agreement (OFTA)
- The Dominican Republic-Central American Free Trade Agreement (DR-CAFTA)
- The Peru Trade Promotion Agreement (PTPA)

CSMS #11-000277 provides that a post-importation preference claim may be made within one year of the date of importation if a claim was not made at entry summary. Changes to the entry summary that bear directly on the preference claim include making a tariff classification or valuation change on a line in which a preference claim is being made, if that valuation change enables the good to meet the terms of the preference program. The revised guidance further notes that such claims should be processed without requiring a post-entry amendment (PEA), a post-summary correction (PSC) or a 19 USC 1514 protest.

CBP updated the Bonded Warehouse Manual for Customs and Border Protection Officers and Bonded Warehouse Proprietors.

The US established the Export Enforcement Coordination Center, which coordinates export control enforcement matters across various federal agencies.

The US President, Barack Obama, issued Executive Order 13601 of 28 February 2012 for the establishment of the Interagency Trade Enforcement Center. The purpose of the center is to coordinate matters relating to the enforcement of US trade rights, including intellectual property rights, under international trade agreements and the enforcement of domestic trade laws of the US Trade Representative (USTR) and a number of other executive agencies of the US government.

The US has made many changes to its economic sanctions against Iran. Among many notable changes, the Department of the Treasury's Office of Foreign Assets Control (OFAC) has amended the Iranian Financial Sanctions Regulations and reissued them in their entirety, implementing sanctions with respect to the Central Bank of Iran and designated Iranian financial institutions.

CBP has amended the Customs Regulations, 19 CFR Parts 4 and 24, effective 25 April 2012, to make the owner or master of a US vessel liable for interest where duties associated with the purchase of equipment for, or repair to, the vessel while it is outside the US are not paid on time.

The US Department of State issued a final rule amending the International Traffic in Arms Regulations (ITAR), 22 CFR Parts 120, 123, 124, 126, 127 and 129, to implement the Defense Trade Cooperation Treaty between the US and the United Kingdom.

United States of America (continued)

Additionally, the rule amends the section pertaining to the Canadian exemption and adds Israel to the list of countries and entities that have a shorter certification time period and a higher dollar value reporting threshold.

CBP issued a notice to announce that, effective 29 September 2012, the Automated Commercial Environment (ACE) will be the only CBP-approved electronic data interchange (EDI) for submitting required advance information for ocean and rail cargo.

Wine, distilled spirits and malt containing cochineal extract and carmine will be required to disclose on their labels the presence of these color additives, effective 15 May 2012. The rule applies equally to domestic and imported alcohol beverage products.

The Department of Commerce Bureau of Industry and Security issued a final rule that amends the Export Administration Regulations (EAR) creating a new Export Control Classification Number (ECCN) 0Y521 Series, Items Not Elsewhere Listed on the Commerce Control List (CCL) (15 CFR Parts 732, 734, 738, 740, 742 and 774). The new ECCN is a temporary holding classification, which is equivalent to US Munitions List (USML) Category XXI (Miscellaneous Articles). This classification will be used until the government either determines a long-term control according to multilateral agreements or drops the item from the CCL.

US Customs regulations (19 CFR Parts 133 and 151) will be amended to provide a pre-seizure procedure for disclosing information about imported merchandise suspected of bearing a counterfeit mark, for the limited purpose of obtaining the right holder's assistance in determining whether the mark is counterfeit.

The US and the EU signed an agreement to recognize each other's certified trusted traders. Companies certified by the EU's Authorized Economic Operators (AEO) or the US Customs-Trade Partnership Against Terrorism (CTPAT) regimes will be able to benefit under the agreement.

The US comprehensively revised regulations under the Foreign-Trade Zones Act of 1934, as amended (15 C.F.R. part 400), concerning the authorization and regulation of foreign trade zones and zone activity in the US.

In May 2012, the US issued a landmark customs ruling that allows retroactive transfer pricing adjustments made for tax purposes to be taken into consideration for customs valuation purposes when certain criteria are met at the time of importation.

As part of an Export Control Reform Initiative, the Department of Commerce, Bureau of Industry and Security (BIS), and the Department of State, Directorate of Defense Trade Controls, issued numerous proposed rules to address a number of issues pertaining to the transition of control to the (EAR) of items the President determines no longer warrant control under International Traffic in Arms Regulations (ITAR). If these changes are adopted, many items would be transferred from the US Munitions List to new provisions of the Commerce Control List.

United States of America (continued)

The US has continued for an additional year certain economic sanctions on Myanmar but has also issued several general licenses greatly expanding allowed trade.

CBP issued a final rule to amend the recordkeeping requirements as they apply to customs brokers. Effective 9 July 2012, customs brokers may store records at any location within the customs territory of the US. In the case of electronic records, the server where such records are stored must be physically located within the customs territory of the US where CBP has jurisdiction to serve a summons. Additionally, customs brokers, who are not also importers of record, will be exempt from the requirement to retain certain import records in their original format for the 120-day period after the release or conditional release of imported merchandise.

CBP posted new instructions for completing CBP Forms 301 and 301A (Customs Bond).

As part of the Export Control Reform Initiative, the Department of Commerce, Bureau of Industry and Security (BIS), has issued a proposed rule, which sets forth a common definition of the term "specially designed" for use in the Export Administration Regulations (EAR) and the International Traffic in Arms Regulations (ITAR). The State Department has issued a parallel proposed rule.

The US changed its tariff schedule to clarify that certain multifunction computer monitors are to be considered computer monitors and not television apparatuses (and thus effectively accorded duty free treatment under the information technology agreement).

CBP issued new or updated Informed Compliance Publications: *Distinguishing Bolts from Screws and Hand Tool Sets Classified under Subheadings* 8205.90.00 and 8206.00.00 and *What Every Member of the Trade Community Should Know About: Instruments of International Traffic*.

The US introduced additional economic sanctions against Somalia by prohibiting all importation into the US of charcoal from Somalia and by blocking all property and property interests in the US of certain persons and entities, including persons and entities who have assisted financially or otherwise any persons whose property has been so blocked.

In August 2012, the US passed the Iran Threat Reduction and Syria Human Rights Act of 2012. The legislation is notable because it broadens the range of situations where non-US entities are subject to US economic sanctions rules:

- It effectively makes activities conducted by non-US entities that are owned or controlled by US entities subject to certain aspects of US economic sanctions law with respect to Iran.
- It broadens the circumstances and/or penalties where a non-US entity may be directly targeted by US sanctions for certain types of activities related to Iran's petroleum, petrochemical, mining, energy, insurance and shipping industries.
- It requires public disclosure of certain business activities related to Iran by entities that are registered "issuers" on US stock exchanges even if such entities are otherwise non-US.

United States (continued)

The US Securities and Exchange Commission (SEC) adopted on 22 August 2012 a final rule under the Dodd-Frank Wall Street Reform and Consumer Protection Act with regard to conflict minerals (any mineral so designated by the Secretary of State to be financing conflict in the Democratic Republic of the Congo or an adjoining country; conflict minerals are cassiterite, columbite-tantalite, gold, wolframite or their derivatives, such as tantalum, tin or tungsten). The final rule requires an annual report disclosing any use of conflict minerals and descriptions of due diligence measures undertaken to establish the origin and chain of custody of such minerals, including a third-party private sector audit and certification.

CBP issued a general notice, effective 5 October 2012, US and Canadian resident importers that successfully complete a focused assessment (FA) may within 12 months from the date of the FA report apply to transition into the Importer Self-Assessment Program without further CBP review, subject to a number of additional requirements.

CBP has issued a final rule to implement the preferential tariff treatment and other customs-related provisions of the US-Peru Trade Promotion Agreement.

The US Commerce Department has completed a critical technology assessment on night vision focal plane arrays, sensors and cameras, which assess the impact of export controls on these technologies.

The BIS has issued a final rule that amends the Export Administration Regulations (EAR) with regard to the authorization of VEU provisions. The final rule, effective 18 January 2013, introduces a requirement for notice of export, re-export or transfer (in-country) and clarification regarding termination of conditions on VEU authorizations.

The US Department of State issued a final rule to amend the International Traffic in Arms Regulations (ITAR) designating the Islamic Republic of Afghanistan as a major non-NATO ally. The rule also provides for two defense export license exemptions. The rule is effective 31 December 2012.

Vietnam

Vietnam and Argentina signed a Customs Cooperation Agreement.

Vietnam ratified the ASEAN Agreement of Customs on 30 March 2012.

Prior to 15 November 2012, the regulation provided that foreign traders without a presence in Vietnam could register to import goods into Vietnam without setting up a legal entity there; however, there has been no detailed guidance on this registration and, in practice, we are not aware of any cases where the registration has been approved. Effective 15 November 2012, the Government issued a regulation providing guidance for implementation of this provision.

Zimbabwe

Effective 16 November 2012, the customs duty on imported chicken increased from 40% to the greater of ZWL1.5 per kg and 40% . A duty rebate is extended to spare parts for fiscalized devices imported by approved suppliers (a rebate already applies to fiscalized devises imported by approved suppliers).

Effective 1 January 2013, the customs duty on a range of inputs is to be reviewed including the following tariff classifications: 25239000, Other hydraulic cements, 30049090 Other medicaments, 30043990 Medicaments containing hormones, 40169330 Oil seals, 48070090 Other paper board, 69039090 Other refractory ceramic goods, 73181500 Nuts bolts and washers, 73182200 Washer, 74112910 Bushing materials and 76051100 Aluminum coils.

Other provisions include:

- A rebate of duty is to be granted to pharmaceutical companies on essential imported raw materials used in the manufacture of pharmaceutical products.
- The suspension of customs duty on motor vehicles imported by approved Safari Operators is extended for six months.
- A rebate of duty on goods imported by religious organizations for religious purposes is extended to building materials to the extent that such materials are not locally produced.
- A surtax of 25% is to be imposed on the importation of selected imported finished products, such as soap, meat products, beverages, dairy products and cooking oil.
- Additional duties are to be imposed on raw materials, capital and intermediate goods used for mining that can be manufactured locally.
- The Treasury is to look into extending a rebate of duty to second-hand vehicles and new clothing sourced by charitable organizations. (Currently the rebate is restricted to new vehicles and second-hand clothing.)
- The Treasury is to look into removing the need for a driver's license for physically challenged persons to import motor vehicles under rebate, as some of the intended beneficiaries cannot drive manual transmission vehicles.
- A further review of the tariff levels of imported finished products is proposed with the participation of relevant Ministries, the Competition and Tariff Commission and Zimra (the Zimra customs authority).

The following customs authority (Zimra) reform programs are to be carried out in 2013:

- Automation of the Beitbridge Border Post
- The deepening of post-clearance audit
- The strengthening of risk management measures
- Curbing the abuse of SADC Rules of Origin certificates
- Implementation of standard valuation methods for second-hand vehicles

Customs and international trade – free trade agreements

United States

March 2012 with South Korea.

May 2012 with Colombia.

October 2012 with Panama.

Nicaragua

With Mexico and other Central American Countries (Costa Rica, El Salvador, Guatemala and Honduras) to be ratified.

Guatemala

With Mexico and other Central American countries (Costa Rica,El Salvador, Honduras and Nicaragua) to be ratified.

Honduras

January 2013 with Mexico and other Central American countries (Costa Rica, El Salvador, and Guatemala and Nicaragua).

Canada

October 2012 with Jordan.

Mexico

January 2012 with Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua).

February 2012 with Peru.

El Salvador

With Mexico and other Central American countries (Costa Rica, Guatemala, Honduras and Nicaragua) to be ratified.

Costa Rica

December 2012 with Mexico and other Central American countries (El Salvador, Guatemala, Honduras and Nicaragua).

Colombia

May 2012 with the United States.

Expected first-quarter 2013 with the European Union and Peru.

Panama

May 2012 with Peru.

October 2012 with the United States.

Peru

February 2012 with Mexico.

March 2012 with Japan.

May 2012 with Panama.

Expected first-quarter 2013 with the European Union and Colombia.

Chile

April 2012 with Malaysia.

Russia

September 2012 with Belarus, Ukraine and the Commonwealth of Independent States.

Belarus

September 2012 with Russia, Ukraine and the Commonwealth of Independent States.

European Union

Expected first-quarter 2013 with Colombia and Peru.

Pakistan

Expected January 2013 with Indonesia.

European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland)

May 2012 with Ukraine.

September-November 2012 with Montenegro.

October-November 2012 with Hong Kong.

Commonwealth of Independent States

September 2012 with Belarus and Ukraine.

September 2012 with Moldova.

South Korea

March 2012 with the United States.

Japan

March 2012 with Peru.

Hong Kong

October-November 2012 with the European Free Trade Association.

Indonesia

Expected January 2013 with Pakistan.

Jordan

October 2012 with Canada.

Malaysia

April 2012 with Chile.

Moldova

September 2012 with the Commonwealth of Independent States.

Montenegro

September-November 2012 with the European Free Trade Association.

Ukraine

May 2012 with the European Free Trade Association.

September 2012 with Belarus, Russia and the Commonwealth of Independent States.

Notes

Notes

Contacts

Contact	Role
Philip Robinson +41 58 289 3197 philip.robinson@uk.ey.com	Global Director – Indirect Tax
Jeffrey N. Saviano New York +1 212 773 0780 Boston +1 617 375 3702 jeffrey.saviano@ey.com	Americas
Robert Smith +8621 2228 2328 robert.smith@cn.ey.com	Asia-Pacific
Gijsbert Bulk +31 88 40 71175 gijsbert.bulk@nl.ey.com	Europe, Middle East, India and Africa (EMEIA)
William M. Methenitis +1 214 969 8585 william.methenitis@ey.com **Neil Byrne** +353 1 221 2370 neil.byrne@ie.ey.com	Customs and International Trade

About Ernst & Young Indirect Tax Services

Indirect taxes, ranging from VAT and customs duties to environmental levies, affect the supply chain and the financial system. They pose unique challenges to multi-national tax functions, since they must be managed accurately and in real time. These often invisible taxes can have significant impacts — on cash flow, absolute costs and risk exposures.

Thanks to our network of dedicated indirect tax professionals, who share knowledge and ideas, we can provide a seamless, consistent service throughout the world and deal effectively with cross-border issues. These include advising on the VAT treatment of new and complex transactions and supplies and helping resolve classification or other disputes and issues with the authorities.

We provide assistance in identifying risk areas and sustainable planning opportunities for indirect taxes throughout the tax life cycle. We provide you with effective processes to help improve your day-to-day reporting for indirect tax, reducing attribution errors, reducing costs and ensuring indirect taxes are handled correctly.

We can support full or partial VAT compliance outsourcing, help identify the right partial exemption method and review accounting systems. Our customs and international trade team help you manage customs declarations, audit and review product classifications and evaluate import/export documentation. Our globally integrated teams give you the perspective and support you need to manage indirect taxes effectively. It's how Ernst & Young makes a difference.

Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young
Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com.

© 2013 EYGM Limited.
All Rights Reserved.

EYG no. DL0701

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

Circular 230 Statement: Any US tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.

www.ey.com

ED 0114