


Tax measures to cope with the financial crisis

TAX



Introduction

This document provides a high level summary of responses of 47 countries worldwide tackling the economic crisis through tax measures. The focus is on implemented, approved or proposed corporate, individual income and indirect tax measures until June 2009. Please note that the overview provided is not exhaustive and focuses on main tax law changes or proposed changes in view of economic environmental changes. This document is meant to give a high level overview of the recent developments in the various countries that may be of interest for you.

For more detailed information in respect to one of the countries, please contact the person mentioned in each of the countries information page or your own tax advisor.

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The material contained within draws on the experience of KPMG tax personnel and their knowledge of local tax law in each of the countries covered. While every effort has been made to provide information current at the date of publication, tax laws around the world change constantly. Accordingly, the material should be viewed only as a general guide and should not be relied on without consulting your local KPMG tax adviser for the specific application of a country’s tax rules to your own situation.

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Angola

Other Measures

- Public Spending
 - In March 2009 the Angolan government announced a package of measures which the government intends to put in place in order to sustain the country's economic growth despite the current global financial crisis. In statements made to the press at the end of a meeting of the Standing Committee of the Council of Ministers held in March 2009, the Minister of Economy, Manuel Nunes, announced the reorganization and rescheduling of public investments and a new diamond marketing strategy with the intervention of the State.

According to the Minister of Economy, the government will refocus the macroeconomic strategy at reducing dependence on oil export and increasing investment in employment generating sectors such as agriculture, industry and public construction. Due to the global economic slowdown, the Government will cut down on expenditure in goods and services, but maintaining minimum obligatory expenditures by public institutions and paying closer attention to the financial well being of strategic state enterprises.

Regarding public investment, the Minister was quoted as indicating that the government will prioritize investments that already have funding. In 2009, the Angolan government projected an economic growth scenario although with some slowdown, and a stable macroeconomic environment. During his press briefing after the meeting of the Standing Committee of the Council of Ministers, the Minister assured that Angola will continue with its efforts towards fighting poverty, promoting business and implementing public investments. "Angola will not experience recession and will not be in a situation whereby the economic growth rate is lower than the population growth rate, which is three percent", the Minister was quoted. The approved measures will be monitored by the Standing Committee of the Council of Ministers.

Overall, the Angolan government cut down the planned expenditure in the National Budget for this year by US\$11 billion, as a result of the sharp drop in the price of oil after reaching a peak of US\$147.27 in July 2008. In mid April 2009 oil was trading in New York at US\$49.29.
- Foreign Currency Policy
 - The government of Angola has permitted its local currency (Kwanza) to slide against the United States Dollar, according to a source from the Central Bank of Angola. In April 2009 the Angolan Central Bank devalued its local currency (Kwanza) by more than five percent the source confirmed. The exchange rate was devalued to 79 Kwanzas to the United States Dollar compared to the opening rate of 75 Kwanzas to the United States Dollar.

The above trend of macro-economic events seems to be confirming the forecast that was made by the Standard Bank in February 2009 to the effect that Angola may be forced to devalue its currency to a minimum of 85 Kwanzas to the Dollar in order to avoid depleting the national foreign reserves as a result of the drop in oil prices.

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Argentina

Corporate and Individual Income Tax

- Transfer and repatriation of funds
 - A new special tax is established for the transfer and repatriation of funds according to the following assumptions:

Transfer and repatriation of funds	
Description	Rate
Goods that are in a foreign nation, possessions of foreign currency held abroad that will not be brought into the country	8%
Domestic goods, possessions of local or foreign currency within the country that are not destined to a specific location	6%
Possessions of foreign currency held abroad and foreign or domestic money held in the country that is used for the subscription of public instruments issued by government (if it is transferred before the 24 months, an additional 5% will be added)	3%
An individual good in foreign currency held abroad, and foreign or domestic money held in the country and that is used to purchase a new dwelling in the country (it can not be transferred before 2 years)	1%
Possessions in foreign currency held abroad and foreign or domestic money held in the country that will be used for the construction of new buildings, finishing works that are in construction, financing the infrastructure work, farming and livestock, industrial investments, tourism or services rendered inside the country (the investments should be kept for 2 years)	1%

Those individuals who disclose such goods/and or amounts are exempt from the obligation to inform the AFIP the date of purchase of the goods or the source of the funds with which they have been acquired, except for the regulations for proceeds of crime money laundering.

Furthermore, neither the unjustified increase in the net worth nor the criminal tax law are applicable.

Likewise, these individuals shall be exempt from the following taxes: income tax, tax on the transfer of real property, tax on undivided inheritance, tax on financial transactions and other operations, excise taxes, value added tax, minimum presumed income tax, tax on personal assets and the special contribution over the capital of cooperative companies.

Lastly, taxable events resulting from the transfer, deposit and/or withdrawal of amounts that have been disclosed, shall be exempt from the tax on financial transactions.

In addition, the disclosure made by any company in the country shall exempt the partners that had acted as taxpayers from the income tax pertaining to the fiscal year in which the exemption is made. As regards natural persons and undivided inheritance that make the disclosure, they will be exempt from tax liabilities of the companies or sole proprietorships where they have a share.

Other Measures

- Tax and social security amnesty
 - This regularization plan includes tax and social security liabilities and those related to withholding and collection agents for fiscal years up to 31 December 2007. Likewise, this benefit is granted in case of formal and material infringements, debts in administrative or judicial instance and debts included in the plan of credit facilities either expired or in force.
- Extension of the tax amnesty in penalties and fines.

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- It is worth noting that tax and criminal sanctions resulting from formal or material infringements committed before 31 December 2007 or fiscal years ended on such date shall be waived.
Likewise, compensatory and default interests are reduced. In this sense, the level of reduction depends on the bimonthly period in which the regime has been joined.
- Non-registered employment and contracting of new employees
 - Employers will not pay contributions for the first ten registered or regularized employees. Therefore, they will be exempt from payment of capital, interests and fines. When the employee number eleven is registered, the employer shall pay all the pertaining contributions either in cash or through a plan of credit facilities. Please find below some of the benefits.
 - Waiver of infringements, sanctions and fines (definite or not)
 - Exemption from the income tax and value added tax
 - Right to compute up to 60 months of services with contributions
 - Nor debt assessments shall be devised, neither minutes shall be drawn up.

In this sense, the contribution to the social security system received by all employers that hire new employees or regularize a pre-existing relationship that has not been registered before will be reduced 50 percent during the first 12 months, and 25 percent on the remaining 12 months.



Australia

Corporate Income Tax

- Reductions in pay-as-you-go (PAYG) quarterly installments
 - Legislation was enacted in March 2009 to:
 - Implement a 20 percent reduction in the amount of the PAYG quarterly installment due in February 2009 for the quarter that includes 31 December 2008, for certain small business taxpayers.
 - Introduce a regulation-making power to allow the amount of the PAYG installment to be reduced in the future in circumstances specified by regulations to reflect prevailing economic conditions and actual income of small business tax payers for a particular income year.

In May 2009, further legislation has been introduced into Australian Parliament to reduce PAYG installments for small business taxpayers for the 2009-10 income year by setting the GDP adjustment amount to two percent for the 2009-10 income year.

- Investment allowance
 - For expenditure incurred after 13 December 2008, an additional tax deduction of 30 percent or 10 percent of the cost of certain newly-acquired tangible depreciating assets (and new expenditures on certain existing tangible depreciating assets).
This applies to entities with a turnover in excess of A\$2m, provided that the cumulative new investment expenditure is at least A\$10,000. The amount of the deduction available is contingent on the date by which investment commitments are made and the assets installed ready for use as follows:

Investment		
30 June taxpayer	Committed to new investment by:	
	30 June 2009	31 December 2009
Installed by:		
30 June 2009	30% in 2008-09	n/a
30 June 2010	30% in 2009-10	10% in 2009-10
31 December 2010	10% in 2010-11	10% in 2010-11

However if an entity has a turnover of less than A\$2m, the deduction available is equal to 50 percent of the cost of the eligible assets provided that:

- The cumulative new investment expenditure is at least A\$1,000 and
- The asset is acquired between 13 December 2008 and 31 December 2009, and installed ready for use by 31 December 2010.

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Austria

Corporate Income Tax

- Early depreciation of tangible assets for acquisition costs or manufacturing costs encountered in 2009 or 2010 (partial acquisition or manufacturing costs in these years are also covered)
 - 30 percent early depreciation, followed by "normal" depreciation according to general rules in the following years
 - Depreciable basis is limited to total acquisition/manufacturing cost
 - Not applicable to buildings, cars, planes, previously used assets, assets acquired from a company in which the acquirer holds a controlling interest, goods of low value (< €400), acquisition/manufacture was started before January 1, 2009.
- Tax planning schemes are available if the acquisition or manufacture was started before January 1, 2009 and the assets are still unused (sale within the corporate group and lease back under certain conditions possible) as well as the purchase/manufacture of assets by Austrian companies and lease to foreign group companies.

Individual Income Tax

- Decrease of the progressive individual tax rate (effective reduction of tax burden depends on level of income)
- Tax relief for families (tax reduction for children, tax deductibility of costs for child care, etc.)
- Tax allowance for re-invested profits of entrepreneurs (13 percent, max. €100,000; no investment requirement for profits up to €30,000); applicable from 2010 onwards
- Tax deductibility of certain charitable donations.

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Belgium

Corporate Income Tax

- Temporary three month extension of the due date of the payment of wage withholding tax
- Increase of the percentage of the exemption of payment of wage withholding tax on salaries for night labor, in shifts, overtime, personnel engaged in R&D; the percentage of the general exemption is also increased.

Indirect Tax

- Extension of the scope of the monthly refund of VAT to all businesses which, due to the nature of their transactions, are in a constant refund position
- Reduction of the VAT rate on the construction of private housing from 21 to six percent in 2009 (limited to taxable base of €50,000)
- Extension of the reduced VAT rate of six percent on the demolition and reconstruction of private housing to the entire Belgian territory in 2009
- Reduction of the VAT rate on the construction of public housing from 12 to six percent in 2009
- Waiver of the provincial and extension of the due date of the municipal additional taxes due on the real estate withholding tax on industrial equipment (only in Flemish region)
- Taxpayers facing financial problems will, under certain conditions, have the possibility to defer VAT payments for the first three quarters of 2009.

Other Measures

- Possibility to extend the exercise period for stock option plans concluded between 1 January 2003 and 31 August 2008 (for options with tax value limited to €100,000).

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Brazil

Corporate Income Tax

- Reduction of the special tax regime (RET) rate from seven percent to six percent
 - RET is a special tax regime applicable only to Real State companies (it is not mandatory and thus depends on the election made by the company) in which the revenues obtained by the sales of units are subject to a unified tax rate (six percent) which includes all the taxes applicable on gross revenues and profits.
- Reduction of the special tax regime (RET) rate from seven percent to one percent
 - This reduction is only applicable to Real State companies investing in low income houses (up to R\$60 thousand), otherwise it will be taxed at a six percent rate. This reduction came in force for stimulating the Brazilian new Program "My house, My Life" Program whose main purposes are to provide low income families housing and job opportunities as well as fomenting the construction sector.
 - Temporary reduction of the tax on the sale of vehicles and trucks. On the other hand, the automotive companies made an agreement with the government to maintain jobs.
 - Temporary reduction of the tax on the sale of certain appliances (refrigerators, ovens, washing machines and tanks).
 - Temporary reduction of one of the taxes imposed on gross revenues (Cofins) on the sale of motorcycles.
 - Temporary reduction of tax on manufactured products (IPI) of several goods used in the construction industry.

Indirect Tax

- Changes on the IOF rates (Tax on Financial Transactions) have been introduced in order to encourage the inflow of foreign investments into the country.
- Suspension of the tax on manufactured products (IPI) for High-Tech Companies.

Individual Income Tax

- The government introduced intermediary income tax rates for individuals aiming at reducing over middle class tax burden. The aim here is, obviously, to expand consumption.

Other Measures

- Government have been requesting banks to be more lenient in providing credit to consumers in certain industries.
- The Federal Savings and Loans Bank (Caixa Econômica Federal) allowed customer to buy properties up to R\$500 thousand with funds from the Government Severance Indemnity Fund for Employees (FGTS).

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- The government has launched in 2007 a five-year plan known as PAC - Program for Growth Acceleration - which main objectives are to incentive private investment and boost public investment in infrastructure and to remove obstacles for the economic growth. Among others, the plan comprises measures to reduce the tax burden and to improve the tax system. In 2009, the government has decided to maintain the level of public investments so as to compensate the decline in the private sector's spending.
- Brazilian Central Bank has been loosening the monetary policy by reducing the basic interest rate (SELIC), by increasing the money supply, and by acting in order to increase the level of credit.
- More restrict control on bank's bad debts.
- BNDES, which is the national development bank and the world biggest development bank, has expanded its funding operations significantly also to guarantee a proper level of credit supply (credit and funds operations to investments are expected to reach US\$50 billion this year only).
- Banco do Brasil and Caixa Econômica Federal, which are two state owned banks (Banco do Brasil is the largest bank in Brazil), have recently adopted a reasonably aggressive approach aiming at expanding their credit operations to consumers and real estate.
- The special program named "My house, My life" is focused on low income families, aims to build one million houses in relatively short period and to stimulate the civil construction and real estate businesses, which are strong job creators.

Expected Measures to be taken in 2010

- Reduction of income tax imposed on earnings obtained by Investment Funds
- Collection of income tax over the savings accounts as of 2010 to inhibit the migration of money from the Investment Funds to the saving accounts.



Bulgaria

Individual Income Tax

- A tax allowance for young families is introduced – the total amount of the annual tax bases is reduced by the interest installments due for the first BGN 100,000 of a mortgage loan. Certain requirements should be fulfilled in order to obtain this tax relief: civil marriage; the individual who concluded the mortgage loan should be under 35 years of age; the mortgaged immovable property should be the only residence for the family during the tax year.

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Canada

Corporate Income Tax

The anti-crisis tax measures in the 2009 Canadian Federal Budget Proposals are the following:

- Accelerated Capital Cost Allowance measures
 - Manufacturing and processing machinery and equipment
 - The budget proposes a two-year extension to the temporary 50 percent straight-line capital cost allowance (CCA) rate for manufacturing and processing (M&P) machinery and equipment. Under this proposal, the 50-percent straight-line CCA treatment will apply to M&P equipment acquired in 2010 and in 2011. The half-year rule will apply to M&P assets subject to this measure.
 - Computers
 - The budget proposes a temporary 100 percent CCA rate for eligible computers and software (described in CCA Class 50) acquired after January 27, 2009 and before February 2011. Businesses can fully deduct the cost of eligible computers and the system's software in the first year that CCA deductions are available.

Most provinces have adopted these CCA changes.

- International Tax
 - The budget also repealed a controversial section the Income Tax Act which would deny tax deductions on interest related to investments in foreign affiliates. It was widely believed that if this rule was enacted that it would disadvantage Canadian businesses investing abroad.
- 2009 Provincial Incentives

The province of Quebec introduced several measures in its March 19, 2009 budget, including the expansion or increase to the amount of tax credits related to the following:

- Expanded refundable tax credit for the development of e-business
- Refundable tax credit for manpower training in the manufacturing sector extended to the forest and mining sectors
- Increase to the refundable tax credit for the production of shows and sound recordings
- Extended refundable tax credit for manpower training in the manufacturing sector to the forest and mining sectors
- Expansion of the refundable tax credit for design
- Additionally, Quebec introduced a tax holiday for new corporations dedicated to the commercialization of intellectual property.

The province of Ontario introduced several measures in its March 26, 2009 budget, including changes to tax credits that would:

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- Enhance the Co-operative Education Tax Credit and Apprenticeship Training Tax Credit
- Increase in the Credit rate for Co-operative Education Tax Credit
- Increase in the Apprenticeship Training Tax Credit
- Enhance the Ontario Innovation Tax Credit
- Enhance the Ontario Interactive Digital Media Tax Credit
- Enhance the Ontario Computer Animation and Special Effects Tax Credit
- Enhance the Ontario Book Publishing Tax Credit.

The province of Manitoba introduced several measures in its March 26, 2009 budget, including changes to tax credits related to the following:

- The 20 percent Research and Development Tax Credit will become refundable for all eligible expenditures incurred after 2009 by corporations with a permanent establishment in Manitoba that work with research institutes in Manitoba on new technologies
- Expansion of the apprenticeship tax credits to include advanced-level apprentices, starting in 2009
- Extension of the co-op student and graduate components of the Co-op Education and Apprenticeship Tax Credit to December 31, 2011
- Expansion of the Green Energy Equipment Tax Credit to include solar thermal energy systems purchased for use in Manitoba, effective for 2009
- Extension of the Odour Control Tax Credit until the end of 2011.
- Provincial Corporate Tax Rate Changes
 - The province of Ontario general corporate tax rate will be reduced to 12 percent (from 14 percent), effective July 1, 2010, and to 10 percent by 2013 and the manufacturing and processing income tax rate will be reduced to 10 percent (from 12 percent), effective July 1, 2010
 - The province of British Columbia corporate tax rate will be reduced to 10.5 percent (from 11 percent) as of January 1, 2010 and to 10 percent as of January 1, 2011
 - The province of Manitoba corporate income tax rate will drop to 12 percent as of July 1, 2009 (from 13 percent as of July 1, 2008).

Individual Income Tax

- The 2009 federal budget proposes to increase the thresholds for the two lowest personal income tax brackets for 2009 and increase the basic personal amount, the spousal and common-law partner amount and the eligible dependant amount to C\$10,320 for 2009 (up from C\$9,600 in 2008). Additionally, several provinces have introduced individual income tax reductions.
- Federal tax credits for home buyers and home owners
 - Home renovation tax credit
 - Under a new temporary renovation tax credit, home owners can claim a 15 percent non-refundable tax credit for eligible expenditures over C\$1,000 but not more than C\$10,000, for a

maximum credit of C\$1,350 (C\$9,000 × 15 percent). The credit is available for eligible costs of work performed or goods acquired after January 27, 2009 and before February 1, 2010 (unless the expenditure is made under an agreement in place on or before January 27, 2009).

- First-time home buyers' credit
 - First-time home buyers who acquire a qualifying home after January 27, 2009 may be entitled to claim a new non-refundable tax credit up to C\$5,000 and worth up to C\$750 (C\$5,000 × 15 percent).
- Home Buyers' Plan threshold increased
 - The budget increases the amount that first-time home buyers can withdraw tax-free from a Registered Retirement Savings Plan (RRSP) to purchase or build a new home to C\$25,000 (up from C\$20,000). The new limit applies to withdrawals made after January 27, 2009.
- Mineral exploration credit
 - The federal budget extends the mineral exploration tax credit for flow-through share investors, which was set to expire at the end of March 31, 2009. The credit will continue to be available for flow-through share agreements entered into on or before March 31, 2010.

Indirect Tax

- The province of British Columbia introduced various measures to promote energy efficiency.

Other measures

- Tariff reductions for machinery and equipment
 - The federal budget proposes to permanently eliminate tariffs on a range of machinery and equipment. The reductions are effective for goods imported into Canada on or after January 28, 2009, and apply to 214 tariff items currently listed in the Schedule to the Customs Tariff.



Croatia

Corporate Income Tax

- The Government has announced to taxpayers that it would be easier for taxpayers to be granted a decrease of CIT prepayments (upon request) which need to be paid during 2009 in respect of the year 2009 profits to help their cash flows.

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Cyprus

Indirect Tax

- Hotel packages of services (hotel accommodation, bed and breakfast, half board, full board, all inclusive or hotel accommodation and any combination of the other services) will have a reduced VAT rate of five percent (instead of eight percent) from 1 May 2009 to 30 April 2010.

Other Measures

- Reduction of landing and other charges payable by Airway companies. The estimated cost is at €16 million.
- The dues charged by Local Authorities on to hotel establishments will be paid by the State. The estimated cost is at €10 million.

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Czech Republic

Corporate Income Tax

- Corporate income tax rate was reduced by one percent to 20 percent as of 1 January 2009 and to 19 percent as of 1 January 2010.
- The obligation to pay advances of income tax due in 2009 for employers with no more than five employees (on their payroll as at 1 December 2008) was abolished.
- Thin capitalization rules have been softened. Loans and credits received from unrelated parties, or those secured by a related party, are no longer subject to thin capitalization testing, except for “back-to-back” structures. The loan/equity ratio goes back to its 2007 level, i.e., 4:1 (6:1 for banks and insurance companies).
- Depreciation for tangible assets with the depreciation life up to five years will be faster. These assets will be depreciated on monthly basis during one or two years. This would apply to assets acquired between 1 January 2009 and 30 June 2010. A similar adjustment will be applied to the determination of lease periods in order to ensure equal conditions of finance leases.
- Employers will be granted a discount on social security premiums for employees with below average and average wage. The discount amount would be set digressively based on the number of employees with below average and average wages, i.e., up to 115 percent of the average wage (up to a gross wage of approximately CZK 27,000).

Indirect Tax

- The refund period of input VAT for applications submitted electronically was shortened from 30 to 15 days.
- VAT input deduction for passenger cars was extended as of 1 April 2009.

Individual Income Tax

- The obligation to pay advances of income tax due in 2009 for self-employed was abolished.
- Depreciation for tangible assets with the depreciation life up to five years will be faster.

Other Measures

- Proposed insolvency Act will be amended as to strengthen the specific effects of bankruptcy law to preserve as many functional entities as possible.

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Denmark

Corporate Income Tax

- Postponement of the payment of withholding taxes for as much as one month (temporarily).

Indirect Tax

- Postponement of the payment of VAT for a certain period depending on amongst others the size of the enterprise (temporarily).

Individual Income Tax

- As a result of the 2009 Tax Reform the individual marginal income tax rate is expected to be lowered from 59 percent to 51.5 percent as from the income year 2010.

Other Measures

- The Danish Parliament has decided to release a compulsory pension saving scheme which was in effect from 1998-2003 (so-called SP-bidrag) where all employees were obliged to save up one percent of the gross salary. The release of the savings is expected to increase private consumption with up to 20 billion DKK.
- A renovation pool has been enacted in order to restart the construction industry and to create new jobs. The renovation pool is on 1.5 billion DKK and provides – upon application – subsidies to certain kinds of renovation of private homes.
- Specific measures have been taken to support the Danish bank sector (Credit crisis package) whereby for example Danish banks and mortgage credit institutions are granted a loan facility totaling 100 billion DKK from the Danish Treasury.

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Estonia

Other Measures

- A draft funded pensions act has been published, which suspends contributions to mandatory and voluntary pension funds as of June 1, 2009 until December 31, 2010 for all resident natural persons as well as abolishes all contribution to pension funds from business income of the sole proprietor earned in 2010 and limits the contribution of sole proprietor from business income of 2009.
- The unemployment insurance premium is raised from 0.9 percent to three percent as of June 1, 2009.
- There is an active political discussion on taxation going on in Estonia, but as the coalition government is currently rejecting the idea of raising income tax or VAT we consider it unlikely that any other tax measures will be implemented in 2009.

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Finland

Corporate Income Tax

- Accelerated depreciations on new investments in fixed assets and buildings used in production operations. Corporate taxpayers are entitled to make double depreciations on fixed assets (from 25 percent to 50 percent declined balance method) and buildings (from seven percent to 14 percent straight line method) if the investments are made in 2009/2010 and the assets/building are also mobilized or taken into productive use in 2009/2010.
- As effective from the beginning of April 2009, the employer's social security contribution has been reduced by 0,801 percentage units until 31 December 2009. The reduced pension payment rates are applied to the salaries that are paid during April – December 2009. The social security contribution rates after pension payment reduction on April 2009 are as follows:
 - Employers on payment class I: two percent
 - Employers on payment class II: 4.2 percent
 - Employers on payment class III: 5.1 percent.

The Finnish government will most probably give a bill during year 2009 concerning further reductions of these rates.

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Indirect Tax

- Reduction to VAT rate.

Individual Income Tax

- Lowering the rates of the national income tax table
- Inflation adjustment
- Employment income deduction.



France

Corporate Income Tax

- Early refund of corporate income tax installments
 - For 2009, companies that expect their corporate income tax installments for the current financial year to exceed their ultimate corporate income tax liability can file, as from the day after their financial year-end, a request for early refund of the overpaid amount. The measure applies to companies with a financial year ending between September 2008 and September 2009. The early refund request must be filed between the day after the financial year-end and the corporate income tax due date. In many cases, the early refund request will be based on an estimate of annual profit. In such cases, however, companies must exercise care so that the amount of the installments paid represents at least 80 percent of the corporate income tax owed. Otherwise, monthly late-payment interest and a five percent penalty will apply to the excess portion of the refunded installment amount.

- Early refunds of loss carry backs
 - New rules accelerate the period for refunds of carry backs arising from taxpayer operations in respect of carry back losses from financial years ending before September 30, 2009. Accordingly, companies that went from profitable to loss-making positions and that have a loss carry back can obtain an immediate refund of the carry back amounts without being subject to the usual five-year waiting period. The only carry backs excluded from this measure are those that have been transferred to a financial institution via the so-called Daily transfers.

Carry backs not used as at January 1, 2009

In 2009, companies will be able to request a refund, without being subject to the five-year waiting period, of any carry backs that have not yet been offset against corporate income tax and that arise from an already exercised option to carry back losses from financial years ended in 2004, 2005, 2006, and 2007.

Carry backs acquired in respect of a financial year ending no later than September 30, 2009

Companies may also request immediate refunds of carry backs relating to an option to carry back: (1) past losses for which no option had been exercised or (2) losses in respect of FY 2008. For carry backs resulting from an option to carry back 2008 losses, companies may, beginning January 2, 2009, request an immediate refund of an estimate of their carry back amounts. Companies are afforded a 20 percent margin of error in making these estimations.

- Early refund of research tax credit
 - In general, unused excess research tax credits cannot be refunded until the expiration of a three-year period. There is an exception to this rule whereby certain companies are eligible for an immediate refund of the amount of the research tax credit. The new measures broaden the application of this exception, so that all companies may obtain a refund of

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the research tax credit amounts either immediately or upon payment of their corporate income tax.

Amounts relating to unused research tax credits for 2005, 2006, and 2007 research expenses are immediately reimbursable to all companies holding such receivables. This measure does not however apply to research tax credit receivables acquired through a daily transfer, unless they have been returned.

The research tax credit for 2008 research expenses is offset first against the 2008 corporate income tax liability, with any excess being immediately refundable without a deduction for interest. The refund request can be made, at the company's election, either immediately on the basis of an estimate or upon payment of its corporate income tax. In the former case, the estimate is based on the difference between the amount of the research tax credit based on the 2008 research expenses and the 2008 corporate income tax liability. No penalty will apply as long as the amount of the refunded research tax credit is not 20 percent greater than the difference between the actual value of the research tax credit and the amount of tax actually owed.

- Utilization of foreign tax losses
 - As from January 1st, 2009, Small and Medium Enterprises subject to corporate income tax in France are temporarily allowed to deduct losses incurred by a foreign branch or subsidiary.
- Extension of the Article 210 E regime to the acquisition of real estate financed by financial lease
 - The First Amended Finance Act for 2009 extends the reduced rate of taxation applicable to capital gains on sales of real estate to outsourcing operations financed by financial lease. (Article 210 E of the French Tax Code). An entity holding real estate assets or real estate rights is allowed to outsource these assets to a lesser institution at a reduced rate of 19 percent provided that the lesser institution contracts a financial lease agreement with a listed real estate company (SIIC).
- Lease-back operations
 - The second Amended Finance Act for 2009 implements a spread-out taxation of capital gains realized on lease-back operations in respect of real estate property rights: the capital gain is spread over the period of the lease contract and this period cannot exceed 15 years.
- Buy-back of financing debts
 - The second Amended Finance Act for 2009 provides, under certain conditions, for the spread-out taxation of profits resulting from the buy-back of debts owed to banks when the corresponding acquisition price is lower than the nominal value. These profits would be taxable during the year of the buy-back and during the five subsequent years. This measure is limited to medium- and long-term debts, so short-term debts (i.e. a maximum one-year term) are excluded. With certain exceptions, debts between related parties are also excluded. One condition for benefiting from this tax regime is that the company carry out an increase of its share capital in the year during which the buy-back is made.

Indirect Tax

- VAT
 - From January 2009, VAT refunds will be monthly (instead of quarterly). The monthly VAT refund procedure is also available to foreign companies that are registered for VAT in France and are subject to the current standard refund procedure (form 3519). The monthly refund request must be for a VAT credit of at least €760.

Individual Income Tax

- Taxpayers subject to the first bracket of the progressive personal income tax in 2007, which is taxable at 5.5 percent, will benefit for financial year 2008 from a tax credit equal to two-thirds of the tax liability of the previous year. Additionally, for the taxpayers benefiting from this tax credit, the second installment, payable on May 15, 2009, will not be due.

Other Measures

- Business tax
 - Implementation of a permanent and total relief from imposition of the business tax (taxe professionnelle) for assets created or acquired between October 23, 2008, and December 31, 2009: this measure provides taxpayers with relief from the amount of business tax with respect to the qualifying assets each year, as long as the assets concerned remain in the taxable basis of the taxpayer.
- Miscellaneous taxes
 - The annual minimum tax (Imposition forfaitaire annuelle - IFA) will be phased out over a three-year period as follows: (1) repeal beginning in 2009 for companies with annual turnover not exceeding €1,500,000; (2) repeal beginning in 2010 for companies with annual turnover not exceeding €15,000,000; and (3) repeal beginning in 2011 for all companies.

(*) Fidal is an independent legal entity that is separate from KPMG International and its member firms.



Germany

Corporate Income Tax

- The change of ownership rules (enacted by the 2008 Business Tax Reform Act) do not apply when companies receive financial aid from the so-called Capital Markets Stabilization Fund ("Fund") and therefore have to transfer shares to this fund. The Fund has been founded by the German state in order to stabilize the capital markets and to overcome the liquidity crisis by improving the equity situation of banks and other financial institutions. The change of ownership rules concern the utilization of corporate losses and are generally triggered by a detrimental change in the ownership of the loss corporation. Such a detrimental change in ownership occurs when more than 25 percent of the share capital or voting rights in a corporate entity are transferred directly or indirectly within a period of five years to a (single) acquirer, or when a comparable event occurs. A transfer of more than 25 percent but not more than 50 percent results in a pro rata forfeiture of all losses of the corporate entity, while a transfer of more than 50 percent leads to a complete forfeiture of the corporate entity's tax losses.
- The change of ownership rules do also not apply in case the objective of the share acquisition was to turnaround the company. The application of this turnaround clause is limited for fiscal years 2008 and 2009.
- The German earnings stripping rules enacted by the 2008 Business Tax Reform Act apply if the net interest expense (i.e., interest expense exceeding interest income) amounts to €1 million or more (de minimis threshold). As a result, the net interest expense is in general only tax deductible up to 30 percent of tax EBITDA. The amount of the de minimis threshold has been increased retroactively from €1 million to €3 million. This increase is limited for fiscal years 2008 and 2009.
- If a spin-off is necessary in order to receive financial aid from the Capital Markets Stabilization Fund (see above), current losses, loss carry forwards and interest carried forwards in the meaning of the German earnings stripping rules do not forfeit in contrast to normal spin-offs.
- A declining depreciation method may be chosen for moveable fixed assets which are acquired or manufactured after 31 December 2008 and before 1 January 2011. The depreciation rate may not exceed 2.5 times the straight-line rate or 25 percent.
- The scope of certain rules for small and medium enterprises which may set up untaxed reserves and benefit from special depreciation provisions (§ 7g Income Tax Act - EStG) has been extended. The definition of small and medium enterprises for purposes of § 7g EStG inter alia depends on the value of the business property. This amount has now been increased from €235,000 to €335,000. Therefore, for business years starting after 31 December 2008 and ending before 1 January 2011 enterprises with business property of €335,000 or less can set-up untaxed reserves for planned investments in movable fixed assets (roll-over relief). In addition, these enterprises can utilize a special depreciation up to the amount of 20 percent of the acquisition or production costs for movable fixed assets which are acquired or produced after 31 December 2008 and before 1 January 2011. This special depreciation can be deducted in addition to other regular depreciations.

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Individual Income Tax

- A deduction is allowed for payments for craftsman services for maintenance, modernization or repairing performed in the taxpayers household(s) located in EU/EEA-States. Twenty percent of such payments can be deducted from the individual income tax payment. The maximum amount to be deductible has been increased from €600 to €1,200.
- With retroactive effect as of 1 January 2009 the personal income tax exemption increased by €170 to €7,834. In 2010 the personal exemption is scheduled to increase by another €170 to €8,004.
- The minimum tax rate has been lowered from 15 percent to 14 percent and a slight change in the rate structure has been made.

Indirect Tax

- An entrepreneur may upon request account for VAT on the basis of payments received and made (so called "Ist-Versteuerung") instead of on the basis of invoices issued and received if the total turnover in the previous calendar year amounts to less than €250,000. A higher total turnover limit set at €500,000 applies in case of entrepreneurs in the new federal territories until 31 December 2009. This increased total turnover limit shall now apply to the entire federal territory, though restricted to the period from 1 July 2009 to 31 December 2011.

Other measures

- Vehicles with an electric motor are tax exempt from Motor Vehicle Tax. This tax exemption is limited to five years after the registration of the car.
- A tax exemption from Motor Vehicle Tax is granted for newly acquired vehicles which are registered for the first time between 5 November 2008 and 30 June 2009. This tax exemption is limited to one year. In case the vehicle meets the European emission standard five or six the exemption will be extended for another year.



Greece

Corporate Income Tax

- Withholding tax of contractors of technical projects
 - Reduction of the withholding tax on the income of contractors of technical projects to one percent (from three percent) until 31 December 2010.

Indirect Tax

- Car duties
 - The rates for car registration duty are decreased by 50 percent as of the next day after the submission of the tax bill until and including the 7th August 2009.
 - The transfer duty on used cars and the license duty of cars and motorcycles which will be transferred and have been registered until the date of the submission of the tax bill are abolished. The two provisions above apply until 7 August 2009.
- Stamp duty of joint ventures
 - Stamp duty on the entries in the books for deposits or withdrawals by partners of joint ventures which have been established according to the provisions of laws for the construction of public projects is decreased by 50 percent until 31 December 2010.

Individual Income Tax

- The taxation at the rate of 10 percent of profits from the sale of listed shares which have been acquired up to and including 31 March 2009 is postponed until 1 January 2010. With respect to the sale of listed shares acquired up to the above date, the 0.15 percent transaction tax on the sale price still applies.
- Interest from Greek Treasury Bills issued from 1 January 2009 and afterwards derived by non residents will be exempted from tax.
- A special contribution is imposed on the personal income declared (actual or imputed including exempted income) by individuals as follows:

Individual Income Tax	
Income	Amount of special contribution €
0 - 60 000	0
60 001 - 80 000	1 000
80 001 - 100 000	2 000
100 001 - 150 000	3 000
150 001 - 300 000	5 000
300 001 - 500 000	10 000
500 001 - 700 000	15 000
700 001 - 900 000	20 000
Exceeding 900 001	25 000

Other Measures

- Distribution of Greek Banks' profits
 - According to the proposed provision, Credit Institutions participating in the Bank Support Plan of L. 3723/2008 by means of the issuance of preferred

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shares in favor Greek State, are not allowed to distribute dividends in cash to their shareholders but are obliged to distribute exclusively shares. Moreover, it is noted that during the period of the Institutions' participation in the Bank Support Plan the buy-back of their own shares is explicitly forbidden.

- Incentives for hotel enterprises
 - For the years 2009 and 2010, real estate properties (land and buildings) used by hotel enterprises for their business purposes, are subject to the reduced rate of 0.033 percent for the purpose of the Real Estate Duty (instead of 0.6 percent for land and 0.1 percent for buildings).
 - The minimum limit €1 per m², in case of buildings, does not apply.
 - The municipal duty of hotel bills is reduced from two percent to 0.5 percent.
 - During the calendar year 2009 loans granted to hotel enterprises will not be subject to the L. 128/75 duty (0.6 percent annually on the monthly outstanding balance of the loan).
- Investment Companies establishment
 - The minimum share capital for the establishment of investment companies is decreased to €1 million, to €3 million for investment companies which carry out underwritings and negotiations for own purposes and to €300,000 for small investment companies which provide only advice and receive and convey orders without possessing client assets.
- Combating tax evasion
 - A Special Line Working Team is set up in the Ministry of Finance and Economics for the study and preparation of a scheme for the implementation of electronic crosschecking of taxpayers' records for the purpose of combating tax evasion.



Hong Kong

Indirect Tax

- Hong Kong does not currently impose VAT, GST or any other sales tax of similar nature.
- Rates are one of Hong Kong's indirect taxes levied on properties. Rates concession will be given to offset the rates payable for the two quarters, April to June 2009 and July to September 2009, subject to a ceiling of \$1,500 per quarter for each rate able tenement.

Individual Income Tax

- Increase the one-off tax reduction for 2008/09 salaries tax reduction from 50 percent to 100 percent, with a ceiling of HK\$8,000 (from HK\$5,000 as previously proposed). Further, the rate reduction would extend to two more quarters for 2009/10 (i.e., from two quarters to the whole year, with a ceiling of HK\$1,500 per quarter per household).

Other Measures

- Extending Hong Kong's tax treaty network. The HKSAR government has noted that the existing legislation has prevented Hong Kong from aligning to the international standards regarding exchange of information when entering into comprehensive double tax treaty with other jurisdictions. The government has announced that it will put forward relevant legislative proposals by middle of this year on liberalizing the arrangements for the exchange of tax information such that Hong Kong could enter into more tax treaties with its trading partners.
- The HKSAR government has noted that measures are needed to improve Hong Kong's regime as a platform for the growing area of Islamic finance. Since the structure of most Islamic financial products involves the sale and re-purchase of assets, such transactions may entail tax liabilities in Hong Kong. Therefore, the government has announced its plan to proposal legislative changes to create a level playing field for Islamic financial products vis-à-vis conventional ones. The proposal will include making changes to or clarifications of the arrangements for stamp duty, profits tax and property tax.

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No special measures have been announced.

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India

Indirect Tax

- Excise Duty (Federal levy applicable on manufacture of excisable goods)
 - The general rate of Excise duty has been reduced from 10 percent to eight percent (With effect from 24 February 2009).
 - The rate of Excise duty on Bulk Cement has been reduced from 10 percent or INR 290 per MT (whichever is higher) to eight percent or INR 230 per MT (whichever is higher).
 - Excise duty rate for certain specified categories of dumpers as well as chassis for certain specified categories of motor vehicles reduced from 10 percent plus INR 10,000 per chassis to eight percent plus INR 10,000 per chassis (The above revised rates are applicable from 24 February 2009).

- Customs duty (Federal Levy applicable on import of goods)

- The revised general effective Customs duty rates are as follows:

Customs Duty		
Category	Old Rate %	Revised Rate %
Inputs (Basic Customs Duty (BCD) @ 10 percent)	26.85	24.42
Capital Goods (BCD @ 7.5 percent)	23.89	21.52
Project Imports (BCD @ 5 percent)	20.94	18.62

- Customs duty exemption for import of Naphtha for generation of electrical energy to continue beyond 31 March 2009.

(The above revised rates are applicable from 24 February 2009)

- Service tax (applicable on provision of taxable services)

- The rate of Service tax has been reduced from 12 percent to 10 percent.

(The above revised rates are applicable from 24 February 2009)

Other Measures

For continued increase in liquidity in the system to boost domestic demand and to ensure sustainability of the growth momentum that India has displayed in recent years, the following measures/initiatives have been taken by the Central Bank of the country, i.e., the Reserve Bank of India ('RBI').

- Reduction in Cash Reserve Ratio (CRR) from nine per cent (September 2008) to five per cent by early January 2009 injecting nearly Rs.1,60,000 crore of primary liquidity in the system
- Reduction in Statutory Liquidity Ratio (SLR) by one percent to 24 percent
- Decrease in policy rates - repo rate by 425 basis points from nine per cent to 4.75 per cent and reverse repo rate by 275 basis points from six per cent to 3.25 per cent
- Relaxation in all-in-cost ceiling for External Commercial Borrowings (ECBs) until 31 December 2009. Eligible borrowers, proposing to avail of ECB beyond the permissible all-in-cost ceilings may approach RBI under the Approval Route

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- Increase in FII investment limit in rupee denominated corporate bonds in India from US\$6 billion to US\$15 billion
- Possible extension of DEPB, i.e., Duty Entitlement Passbook Scheme till 31 December 2009 to support exporters hit by appreciation in rupee as against dollar since November 2008
- Signing of a Memorandum of Understanding (MoU) between the Government of India and RBI to amend an existing arrangement under the market stabilization scheme (MSS) which will consequently enable the Government to utilize a portion of MSS cash for meeting its approved expenditure and, thereby, help stimulate the economy. Following the signing of this MoU, Rs 45,000 crore will be transferred in installments from the 'MSS cash account' to the normal cash account of the Central Government.



Ireland

Corporate Income Tax

- Confirmation of Ireland's continuing commitment to the 12.5 percent corporation tax rate on trading income
- Introduction of corporation tax exemption for new business start-ups in their first three years where its annual corporation tax liability is less than €40,000
- Introduction of tax depreciation regime for a wide range of intangible assets. The tax amortization period is the shorter of 15 years or the financial accounting write-off period
- R&D tax credit has increased from 20 percent to 25 percent and can be offset against payroll taxes where there is insufficient corporation tax to absorb the credit
- Abolition of property-related capital allowance schemes for private hospitals, convalescent homes, registered nursing homes and mental health centers.

Individual Income tax

- Film Relief claim increased to 100 percent and an increased cap at €50,000
- Increased income tax rates for individuals through additional income levies and increases in the rates of health levy and employee PRSI
- Increases on levies on life assurance policies, non-life assurance properties and exit taxes on Special Savings Accounts, Personal Portfolio Life Policies and Personal Portfolio Investment Undertakings
- Mortgage interest relief restricted to first seven years of a qualifying home loan and restrictions on the level of interest that can be claimed against tax for residential rental properties
- Abolition of the special 20 percent rate of income tax on trading profits from dealing or developing residential land and restrictions on the relief of trading losses from such land.

Other measures

- Deferral of stamp duty charge on a 'trade-in of residential property' until the property is subsequently disposed of as well as a decrease in stamp duty rate from nine percent to six percent for non-residential property where the consideration is in excess of €80,000
- Extension of young trained farmers relief for stamp duty purposes to 31 December 2012
- Increase in the rate of capital gains from 22 percent to 25 percent. However, the capital gains tax exemption for companies disposing of significant shareholdings continues to apply
- Increase in the capital acquisitions tax rate from 22 percent to 25 percent and a 20 percent reduction to the tax-free thresholds
- Increase in deposit interest retention tax to 25 percent and in an increase in the standard VAT rate from 21 percent to 21.5 percent
- Increases in excise duties on Mineral Oil Tax and Tobacco Product.

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Italy

Corporate Income Tax

- Deduction from IRES of the IRAP amount paid on labor cost and interests
 - Starting from the tax year in progress as of December 31, 2008, it will be possible to deduct for Corporate Income Tax (IRES) and Individual Income Tax (IRPEF) purposes an amount equal to 10 percent of the Regional Tax on Productive Activities (IRAP).
Such amount should in principle correspond to IRAP on interest expenses and labor cost sustained for employees and assimilated personnel (usually disallowed items for IRAP purposes).
Tax-payers will be allowed to claim for reimbursement such portion of IRAP also for the previous years, upon condition that the relevant payment has been done not more than 48 months before the enforcement date of the Decree before the conversion into Law (i.e., November 29, 2008 – however this timing provision is not completely clear and needs to be clarified). In said case, the request will be electronically submitted according to a Ministerial decree that will be specifically issued.
Tax-payers that have already claimed the tax for refund (upon condition that the relevant payment has been done not more than 48 months before the claim) will be entitled to be refunded too.
In both cases total refunds (which are not subject to income taxes) shall be made within certain limits per year.
- Tax incentives for researchers and teaching professors returning to Italy
 - The new law provides for incentives on the return of researchers resident abroad. More specifically, qualified researchers willing to establish their tax residence in Italy shall benefit of a 90 percent exemption from Individual Income Tax (IRPEF) and of a full exemption from IRAP. The incentive is available from January 1, 2009 and for the following five calendar years and will apply in the year during which the researcher becomes tax resident in Italy and in the following two years.
- Tax credit for research & development services provided to a foreign principal and other changes
 - The tax credit program for R&D re-introduced by the Budget Law 2008 is extended also to resident entities and Italian permanent establishments of non resident entities, performing R&D services in Italy for foreign enterprises/principal, under condition that said principal is located in a EU/EEA Country or a Country that has an exchange of information agreement with Italy.
According to the new rules, the R&D credit will be made available only upon a specific request to be submitted to the tax authorities and the amount will be limited per year (for this reason a timely submission of the request is strongly advisable).
The request form and the date starting from which it can be submitted to the tax authorities should be determined by a Ministerial decree to be issued within 30 days from the enforcement date of the Law (i.e., January 29, 2009).
- Three percent discount from the IRES and IRAP advance payments

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- A temporary decrease of three percentage points from the IRES and IRAP advance payments due for the tax year in progress as of December 31, 2008 was provided. A specific Ministerial Decree to be issued shortly will determine the formalities for reimbursement.
- Review of the criteria used to determine the minimum tax applicable to small businesses (“studi di settore”)
 - The criteria utilized by the Italian tax authorities to determine the minimum level of income to be declared by small businesses (i.e., the so-called “studi di settore”) shall be reviewed in order to reflect the current economic and market conditions with particular focus on given industries or territories.
- Alignment of tax values for IAS/IFRS users
 - IAS/IFRS Adopters are allowed to align the differences between tax values and IAS values of assets (i.e., differences existing at the beginning of the FY 2009 - for companies whose fiscal year ends on December 31), as originated by:
 - 1) Differences between IAS and tax rules
 - 2) Some of the differences arising from the FTA (First Time Adoption)
 All or part of the differences listed under point 1) can be aligned by paying

- Either a tax calculated at ordinary income tax rates (IRES/IRAP), but separately from the ordinary taxable income (f.i., does not offset NOLs); this option requires that all the differences must be aligned (“all in”). Should the total net difference be negative, no substitutive tax is due and said difference is deductible in five installments starting from FY 2009 onwards or
- A substitute tax at a 16 percent rate if not all the existing differences are considered/aligned. In this case, the substitutive tax is applied on the net positive difference considered; should the net difference be negative, this will not be allowed as a deductible item.

Differences listed under point 2) can be aligned by paying a graduated substitute tax (12 percent on differences up to €5 million, 14 percent on the excess and up to €10 million and 16 percent on the excess).

The substitute taxes mentioned above must be paid in full, altogether with the payment of the balance income taxes due for the fiscal year 2008 (June 16, 2009 for calendar year taxpayers).

- Alignment of tax values of intangible assets
 - The difference between tax and book value of intangible assets, such as goodwill and trade marks, as originated by neutral contributions in kind, mergers and de-mergers effected in the year 2007 and 2008, can be (partially or fully) aligned by paying a 16 percent substitute tax (one rate only, higher than the ordinary graduated rates just mentioned above): the payment of such substitute tax also allows to shorten the amortization period of said assets to nine years, as opposed to the ordinary 18 years, otherwise).

The substitute tax must be paid in full altogether with the payment of the balance income taxes due for the fiscal year in which the reorganization is performed.

The alignment is effective from the FY in which the substitute tax is paid, whilst the reduced period of amortization (nine years) is effective from subsequent FY (if, for instance, the reorganization was performed in FY 2008 the alignment would be effective from FY 2009 and the amortization period starts from FY 2010).

If the tax value of other assets (different from those mentioned above) is stepped up, the ordinary taxes become due (IRES and IRAP), but separately from the current taxes due. An exception is made for account receivables whose alignment can be done by paying a 20 percent substitute tax.

- Step up of tax and book values (for non-IAS Adopters)
 - The book and tax values of real estate assets (fixed) can be stepped up by paying a substitute tax, of three percent on depreciable assets and of 1.5 percent on non depreciable assets.

Said step-ups become depreciable for tax purposes beginning from the fifth following year, whilst relevant to determine a taxable gain or deductible loss on disposal from the sixth following year.

A step up reserve must be accounted for that is subject to taxation in case of distribution or reduction, unless a 10 percent substitute tax is paid.

The substitute taxes mentioned above can either be paid in full altogether with the payment of the balance income taxes due for the fiscal year 2008 (June 16, 2009 for calendar year taxpayer), or in three installments on June 16, 2009, 2010 and 2011, adding a three percent interest in this case.



Kazakhstan

The tax rate reductions were planned a year earlier when oil prices were at record highs and Kazakhstan's economy was still booming. Thus, it may not be accurate to say that the tax rate reductions were a response to the international financial crisis. No additional tax changes have been announced to address the crisis.

Corporate Income Tax

- Reduction of corporate income tax rate from 30 percent to 20 percent.

Indirect Tax

- VAT reduction rate from 13 percent to 12 percent.

Other Measures

- The government has implied that it will not let a major bank fail and in fact has taken substantial ownership stakes in four of the largest banks.
- It has also cut quotas for work permits for foreign nationals in order to protect the local labor force and try to prevent unemployment.
- The government also provided liquidity to the banking sector, but banks are still wary of lending, so the funds went unused in some cases and are being returned to the government.

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Korea

Corporate Income Tax

- Certain tax benefits would be provided to help improve the financial structure of a troubled company such as the deferred taxation on the gains from the disposal of a troubled company's assets.
- A foreigner or a foreign company will be exempt from withholding taxes on interest income from a Korean Treasury Bond ("KTB") and also non-residents will be exempt from the capital gains tax on the sale of the KTB in Korea.
- An additional temporary investment tax credit (10 percent of the excess amount) would be provided on the amount of investments exceeding the average investment amount of the immediately preceding three years.
- A small or medium size company that meets certain criteria would be allowed a special deduction (certain calculated amount of the reduced income of its employees) until FY 2010.

Indirect Tax

- A 70 percent reduction of the acquisition, registration, and individual excise tax for taxpayers who sell their old cars and purchase and register new cars by the end of year 2009.

Individual Income Tax

- A small or medium size company's employee who participates in a job sharing program would be allowed a deduction (50 percent of his/her reduced income) from his/her taxable income for the tax years 2009 and 2010.

Other Measures

- The National Tax Service ("NTS") announced that it will temporarily postpone the regular tax audit for companies that hire new employees and small or medium size companies that offer job sharing programs. Also, companies suffering financial difficulties may be allowed an extension of time to pay their tax payments, receive a postponement of the tax collection date, or receive a possible early tax refund from the NTS.

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Latvia

Corporate Income Tax

- The introduction of a notional interest expense
 - Additional decrease of the taxable income will be allowed for the amount of conditioned credit's interest that a tax payer would have to pay for a conditioned loan equal to the amount by which the equity has increased as a result of the retained profits. The goal of this incentive is to encourage company owners not to pay out the profit in dividends, but to invest it in the company's development.
- The period for the tax depreciation regime on new manufacturing equipment is extended to 2013
 - The value of the new technological assets which are purchased during 2009 to 2013 increased by a coefficient of 1.5.
- Tax depreciation of intangible investments
 - In order to encourage registration of trademarks and patents in Latvia the CIT Law states that if the trademark and patent is registered as a result of intangible investments, the depreciation value is increased by using a coefficient 1.5. For CIT calculation purposes investments in intangible assets as a result of which a patent or a trademark is obtained, are written off in five years.
- Reduction of gains derived from the sale of fixed assets if replaced within a 12-month period before or after the sale
 - In order to encourage taxpayers to replace ineffective and out-of-date fixed assets with new and effective facilities, according to the CIT Law at the time of replacement the tax payment for the sold used fixed asset can be postponed. This provision would exempt from taxation with CIT the profit gained from the sale of fixed assets if within 12 months a new, similar fixed asset is purchased.
- The period of carry forward of incurred losses has been changed: the loss carry-forward period is extended from five to eight years.

Indirect Tax

- Of 1 January 2009 the standard VAT rate is 21 percent instead of the present 18 percent. As well is decreased reduced VAT rate from five percent to 10 percent.

Individual Income Tax

- Flat rate of 25 percent is reduced to 23 percent.

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Lithuania

Since 1 January 2009 Lithuania has adopted a lot of amendments in the tax legislation and the main of them are as follows:

Corporate Income Tax

- Increase of CIT rate from 15 percent to 20 percent. The taxation of dividends has been changed - the participation exemption (participation of at least 10 percent held for at least 12 months) is not applicable if dividends are paid from non-taxable profit due to CIT relieves. Furthermore, new CIT relief has been introduced for the acquisition of a fixed assets used for the investment projects (for not more than 50 percent of taxable profit). This relief can be applied for 2008-2013 taxable profit.

Indirect Tax

- Increase of VAT rate to 19 percent. Almost all of the exemptions with regards to the lower VAT rate have been abolished.

Individual Income Tax

- Decrease of PIT rate to 15 percent, however, a mandatory health insurance contribution of six percent has been introduced. Increase of PIT rate to 20 percent for dividends.

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Luxembourg

Capital Duty and Corporate Income Tax

- Luxembourg capital duty
 - Luxembourg 0.5 percent capital duty on capital contributions to Luxembourg civil and commercial companies has been abolished. The incorporation and amendment of the articles of association of a civil and commercial company having its statutory seat or its central management located in Luxembourg should only trigger a fixed registration duty of €75. The same should apply to the transfer of the registered seat or central management of a civil or commercial company to Luxembourg.
 - No capital duty claw-back (recapture) should apply to the previous transactions that have benefited from article 4.2 exemption of the Luxembourg Capital Duty Law (share-for-share exchange transactions) where the five-year holding period requirement is interrupted.
 - The one-off capital duty of €1,250, levied on Specialized Investment Funds (SIF), Undertakings for Collective Venture Capital Investment (SICAR), Undertakings for Collective Investments (UCI), Securitization Vehicles (SV), Pension and Savings companies with Variable Capital (SEPCAV) and Pension and Savings Associations (ASSEP) has been abolished.
 - The contribution of real estate located in Luxembourg to a civil or commercial company in exchange of shares should be subject to tax at a rate of 1.7 percent (i.e., 1.2 percent registration duty and 0.5 percent transcription duty). The contribution of real estate located in Luxembourg to a civil or commercial company against all but shares, such as debt takeover should be subject to tax at a rate of seven percent (i.e., six percent registration duty and one percent transcription duty). In restructuring operations the contributions of movable and immovable assets to a civil or commercial company (whether against shares or not) should not give rise to the proportional registration duties.
- Luxembourg corporate income tax rate
 - Luxembourg corporate income tax rate has been decreased from 22 percent to 21 percent resulting in an aggregate maximum corporate income tax rate (i.e., corporate income tax, municipal business tax and unemployment fund contribution) in Luxembourg City of 28.59 percent (previously 29.63 percent).
- Luxembourg dividend withholding tax (exemption expanded)
 - The withholding tax rate on dividends distributed to parent companies resident in countries with which Luxembourg has signed a double tax treaty is reduced to zero percent. The exemption is granted should the receiving company be subject to an effective tax rate of at least 10.5 percent, and either hold at least 10 percent of the shares in the Luxembourg distributing entity, or bear acquisition costs for shares in the Luxembourg distributing entity of at least €1.2 million. Luxembourg's double tax treaty network is ever-expanding and currently numbers more than 50 (including the US, Russia, Brazil, US, Canada, China, Hong Kong).
- Luxembourg Intellectual Property (IP) regime (80 percent exemption)

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- The scope of Luxembourg IP regime (80 percent income and capital gain exemption), in addition to copyrights on software, patents, trademarks, designs and models, has been extended to domain names with retroactive effect as at 1 January 2008.
 - The IPs qualifying for the Luxembourg 80 percent exemption should benefit from a full exemption for Luxembourg net wealth tax purposes.
 - An administrative circular regarding the application of article 50bis of the Luxembourg Income Tax Law on the Luxembourg IP regime has provided for further guidance on the application of this regime, especially regarding the definition of eligible IP rights, qualifying income and acceptable IP evaluation methods.
- SICAR – Luxembourg undertaking for collective venture capital investment (semi-regulated vehicle)
 - Several measures have been introduced to enhance the SICAR regime: (i) SICARs should be allowed to create multiple investment compartments with specific investment policies; (ii) “qualified investor” status should be extended to directors of a SICAR and to persons involved in the management of the SICAR; (iii) the obligations of the SICARs’ custodians are reduced to a general duty of safekeeping the SICARs’ assets (similar to the Luxembourg SIF – Specialized Investment Fund); (iv) net asset value publication should not be required anymore; (v) SICARs should be required to publish their annual report within six months following the end of the accounting year (vi) others.
- Exchange of information under OECD standards
 - Luxembourg has decided to update to OECD standards its double tax treaties which should then allow information exchange upon request with double tax treaty partners.
- Other
 - Increase from 10 percent to 15 percent of the tax relief for hiring unemployed individuals (renewed for a three-year period i.e. until 2011).

Individual Income Tax

- Tax brackets increased by nine percent
 - Each individual income tax bracket (17 in total) has been increased by nine percent resulting in a reduction of the effective tax burden. The marginal tax rate of 38.95 percent is applicable to individuals earning €39,885 and above, and is doubled for married couples.
- Refundable tax credits
 - The allowances for employment and retirement income as well as the single-parent allowance have been abolished and replaced as of tax year 2009 by refundable tax credits.
 - Tax credits for employees and pensioners of €300 per year which replace the employment and retirement allowances and apply to any resident or non-resident taxpayer receiving a salary or pension taxable in Luxembourg. The amount is doubled in case of joint taxation of a couple and both in receipt of an income.

- Single parents with dependent children benefit from a tax credit of maximum €750 per year instead of the former tax relief of €1,920 per year. The tax credit applies to resident and non-resident taxpayers receiving a professional income in Luxembourg.
- Child bonus
 - A child bonus of €76.88 per month and per child is granted by the Luxembourg family fund for children for whom the taxpayer receives family allowances. For taxpayers, falling under a foreign social security system, the child bonus can be requested as tax relief through the filing of a personal annual tax return or tax reclaim up to the amount of tax paid.
- Single premium death insurance
 - Increase of the deductible ceiling for the single death insurance premium related to the mortgage loan on the taxpayer's principal residence. The modalities have been set through a Grand Ducal decree of 19 December 2008.
- Credit interest
 - Full exemption from tax for credit interest paid by building societies savings schemes established in Luxembourg, in an EU Member State or in a European Economic Area State (Iceland, Liechtenstein and Norway) or in Switzerland.

Other Measures

- VAT
 - The reduced VAT rate of three percent applicable on certain works of renovation and construction of buildings used as main residence is limited to a certain amount per accommodation. This latter limit has been increased from €50,000 to €60,000.
- Donations
 - Patronage and philanthropy, whether exercised personally or by communities, are nurtured by doubling all tax deductible amounts, by accounting for the initial deposit made by the patron or philanthropist, and by the deduction of donations and liberalities that qualify for the determination of business tax.
- State subvention for cars with low CO₂ emissions
 - Allocation of a subvention of €750 to individuals and companies in case of acquisition of a car with low CO₂ emissions (120 g of CO₂).
- Other
 - Reimbursement of €80 per year of the tax on motor vehicles for families with at least five members.



Malta

Corporate Income Tax

- The following new investment incentive schemes are administered by Malta Enterprise Corporation:
 - International competitiveness scheme, which promotes the development of initiatives to penetrate new markets
 - R&D grants targeted at increasing the investment of businesses in research and development
 - Innovation activities, which assists small and medium-sized enterprises (SMEs) in the development of innovative processes, products and services by giving them cash grants or tax credits
 - Small start-up scheme, which assists innovative start-up companies
 - E-business development grant scheme, which seeks to promote the use of information technology in business operations.

Individual Income Tax

- The tax free brackets for single and married persons have been increased by €500.
- The income of families hosting foreign students who come to study English in Malta is determined by means of a formula, which allows a deduction for residence sharing; this has been increased by €1,170, from €2,330 to €3,500.
- A tax credit of €2,000 (which may be benefited from over a couple of years) or a tax credit for all tax due has been granted to women returning to work after a five year absence, or to women who have had children on or after 1 January 2007, and have returned to employment or continued in employment.

Other measures

- A capital repayment moratorium for up to one year has been introduced for hotel owners and operators. The moratorium is on the capital repayments and not on the interest payable. The participating banks will review requests for this moratorium on a case by case basis.
- A €3 million subsidy on interest rates incurred through bank loans has been made available to hotels and restaurants investing in upgrading their properties. The tourist establishments will get a 1.5 percent subsidy on interest if they apply for a refurbishment loan and a one percent subsidy for extensions.

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Mexico

Corporate and Individual Income Tax

- The Mexican authorities has issued a tax benefit in which Individuals and Corporations located in Mexico may opted to pay the income tax at a rate of four percent and seven percent respectively, on earnings from resources held outside the country prior to 2009, through stamps acquired at banks. This measure was created in order to return to Mexico the resources kept outside the country with the condition that the capital invested, must remain in Mexico at least two years.

Other Measures

- The Federal Government established the Employment Preservation Program, which its principal objective is to preserve human capital and employment, strengthening the use of practices that reduce costs, by temporary changes in labor conditions instead of generating lay offs.
In order to participate in this program entities must fulfill some requirements such as be registered at the Mexican Social Security, be a currently a federal tax payer and be a company that manufacture equipment, electronic parts and transport equipment.

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Mozambique

Corporate Income Tax

- The Government of Mozambique is changing some provisions of the Code in order to incorporate some rulers relayed to IFRS and NIRF.

Other Measures

- Changing the GARP in order to include IFRS and NIRF.

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The Netherlands

In response to the economic crisis, the Dutch government has implemented a number of tax measures, and currently, further measures are being proposed. Most of the measures being implemented and proposed are of a temporary nature and intend to stimulate the economy by improving corporate taxpayers' liquidity, but also to improve innovation and reduce administrative burdens.

The main tax measures that have already been implemented are:

Corporate income tax

- Allowing depreciation at will and accelerated depreciation of qualifying fixed assets, if the corporate taxpayer or individual entrepreneur has made a qualifying investment in such (depreciable) fixed assets between January 1 and December 31, 2009. The depreciation will allow corporate taxpayers to depreciate the asset over two years, up to a maximum of 50 percent of the investment cost in 2009 and up to 50 percent in 2010, irrespective of the estimated useful life of the asset and the residual value of the asset. Claiming such extra depreciation expense is subject to certain conditions.
- Reducing the corporate income tax rate in the first bracket of taxable income and extension of the first bracket for 2008. For 2008, the first €275,000 of taxable income (first bracket) is taxed at the reduced rate of 20 percent.

For 2009 and 2010, the proposed 20 percent corporate income tax rate in the first bracket would apply to the first €200,000 of taxable income.

Other measures that have been proposed for 2009 and 2010 are:

- Allowing an estimated tax loss for 2008 to be carried back to 2007 (for 80 percent) at this time, even if a tax return for 2008 has not yet been filed with the Dutch Revenue. Furthermore, to use this provisional carry back, it is not necessary for the 2007 final assessment to have been issued. As this proposed measure will, in principle, result in an accelerated refund of tax paid, it should improve corporate taxpayers' liquidity.
- Increasing the incentive to reduce payroll tax and social security premiums for R&D-related salary expenses, in order to stimulate innovation and to improve liquidities. The amount of payroll tax and social security premiums to be paid will accordingly be further reduced.
- Increasing the budget for tax incentives (investment allowance, depreciation at will) for investments in designated environmentally-friendly fixed assets, known as MIA and VAMIL.

Indirect Tax

- Allowing corporate taxpayers to file their VAT return quarterly instead of monthly as of July 1, 2009, and to pay VAT quarterly, to improve liquidity. As a consequence, payment of VAT is postponed.

Other Measures

- Relieving corporate taxpayers' administrative burdens even further. This will not only include simplifying payroll tax and social security rules, but also reducing red tape faced by entrepreneurs who have a minor job on the side.

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- Relieving small and medium-sized enterprises with less than ten employees and less than €1 million in turnover from preparing annual financial statements.
- Authorizing the Dutch Revenue to relax their approach to businesses with payment arrears caused by the economic crisis. Businesses that are dealing with a temporary liquidity problem and can therefore not pay their taxes, can agree on a deferral with the Dutch Revenue subject to complying with certain conditions.
- Repealing the controversial flight tax as of July 1, 2009.



Norway

Corporate Income Tax

- For taxable limited liability companies and similar, a refund applies for the year 2008 and 2009 equal to 28 percent of the incurred tax losses up to NOK 20 million. The refund only applies to incurred losses that do not exceed the taxable profit for the two preceding years.
- An additional depreciation of 10 percent for certain equipment acquired in 2009 applies.
- The limit of the R&D tax credit is suggested increased to NOK 5.5 million for self-rendered projects approved by the Council. The R&D tax credit for purchased research is suggested increased to NOK 11 million. The R&D rules will enter into force upon approval from ESA (EFTA Surveillance Authority).

Other Measures

- Due to the exceptional nature of the current economic situation, the Norwegian Ministry of Government administration and Reform has decided to accept the use of the accelerated procurement procedure, reducing considerably the overall time limit of the procedure from 80 days to 30 days. The procedure shall apply throughout 2009 and 2010 for all major public projects in Norway.

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Poland

Corporate Income Tax

- IP planning - Crystallization of trademarks for tax purposes
 - Under current tax provisions it is possible to recognize IP (i.e., trademarks) as subject to tax amortization if the IP can be migrated to another entity. Our concepts involve contributing the IP into another entity with tax-neutral step-up in value.
- Loss creation and tax neutral sale of assets
 - Tax losses can be created on an in-kind contribution of a high-valued asset into another entity. Such tax loss can decrease current taxable base or can be off-set in the five following tax years (but no more than 50 percent of a loss can be utilized in one year).
- Withholding tax reclaim opportunity regarding software license payments
 - Polish tax courts have issued several judgments confirming the approach that payments made by Polish entities for using software are not subject to withholding tax in Poland, based on the wording of double tax treaties. If payments for the use of software have been made within the last five years and the Polish entity withheld tax at source on such payments, overpaid WHT may be reclaimed.
- Withholding tax reclaim opportunity regarding dividends paid out to foreign investment funds
 - According to the recent judgments of administrative courts, foreign investment funds should be treated as investment funds in the meaning of corporate income tax (CIT) Law and thus, tax exempt. In light of these judgments, foreign investment funds receiving dividends from Polish companies in previous years, which withheld tax at source, could now file an application for repayment of overpaid tax.

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Indirect Tax

- Recovery of output VAT - free of charge transfers of goods
 - The issue of free of charge transfer of goods or provision of services is controversial in Poland since 1 June 2005, i.e., when the regulations with this respect were amended. Polish VAT regulations state that free of charge supply of goods for the purposes other than these connected with business activity should be considered as a taxable supply. In the majority of the Polish tax authorities' opinion, output VAT should be charged on the free of charge transfers of goods irrespective of whether or not this transfer was connected with business activity. Many taxpayers followed this standpoint and settled Polish VAT on all the free of charge transferred of goods, including these connected with its business activity (e.g. transfer of different products for marketing/advertising purposes, transfer of road infrastructure, etc.). However, the administrative courts (including the Supreme Administrative Court) confirmed in the judgments that, although Polish law is not compliant with the EU VAT Directive in this regard, it clearly states that if the free of charge transfer of goods is connected with the

taxpayer's business activity, this transfer is outside the scope of Polish VAT.

Therefore, based on the above judgments, the taxpayers who have taken a safe approach and settled VAT may recover this overpaid tax. KPMG assists such taxpayers in the procedure (we analyze whether VAT may be recovered and assist in obtaining the court's judgment confirming that no VAT should be settled for the past, nor for the future).

- Recovery of input VAT - purchases of passenger cars and fuel to such cars
 - In December 2008, the European Court of Justice (ECJ) issued a judgment (case C-414/07), confirming that Polish VAT regulations that limit the right to deduct input VAT incurred on the purchase of passenger cars or fuel for such cars, being in force since 1 May 2004, are inconsistent with the provisions of the EU VAT Directive (with the "stand still" clause). As a result, the taxpayers who did not deduct VAT on the purchase of passenger cars or fuel to such cars, may now amend its past VAT settlements and recover this input VAT. Since there are particular conditions that should be met in order to deduct this VAT and apply for the refund, KPMG assists in this procedure. We mainly analyze whether the possibility of input VAT recovery exists and advice on how to complete the procedure of VAT recovery.
- Correction of output VAT in case of "bad debts"
 - Polish VAT regulations have changed recently with respect to bad debts relief. Before the amendment, conditions that should be met in order to benefit from the bad debt relief were very strict. Currently, after the amendments, these conditions are significantly more convenient for taxpayers. In order to benefit from the bad debt relief, the debt will need to have remained unpaid for 180 days. Taking into account the economic crisis, taxpayers may expect that many of their contractors will not pay their debts on time. Therefore, the interest in this relief's application increases among the companies acting on the Polish market.

Individual Income Tax

- Director's fee concept
 - Under such structure, the individual receives remuneration for performance of management board (or supervisory board) functions based on an appropriate resolution of the shareholders of the Polish entity. The director's fee concept is beneficial for non-residents for tax purposes in Poland; as such income is subject to 20 percent flat rate tax in Poland. The obligation to withhold tax and pay the tax to the tax office lies with the Polish company. In such a case, the non-resident is not obliged to report this income in the Polish annual tax return. They have not an obligation to register for Polish tax purposes. On the other hand, the director's fee received by the individuals having an unlimited tax liability in Poland is subject to progressive tax rates (18 percent and 32 percent). Newly introduced regulations also permit non-residents to opt for applying progressive taxation to income subject to flat rate tax (certain conditions must be met, however). It needs to be mentioned that under such scenario, the individual is not subject to social security and health insurance in Poland (as the resolution

does not constitute basis for computation of social security in Poland). However, health insurance would be due in the case of supervisory board members who are Polish residents.

- Personal or management service contract
 - Such remuneration structure may be applied for individuals holding managerial (or other) positions at the company who perform services of an independent nature. Income derived on the basis of such contracts by the individuals considered as non-residents for Polish tax purposes is subject to 20 percent flat rate taxation and it constitutes a final tax. In this case, the individual does not file a Polish annual tax return.
For the Polish tax residents this option is not particularly beneficial from a tax perspective as progressive tax rates (up to 32 percent) are applied. In the case of personal service contracts for non-management duties, 20 percent costs of earning income may be applied.
Remuneration derived based on personal or management service contracts is, as a rule, subject to social security and health insurance (non-deductible in the case of flat rate taxation). Again, newly introduced regulations also permit non-residents to opt for applying progressive taxation to income subject to flat rate tax (certain conditions must be met, however).
- Business activity
 - The Polish regulations provide a possibility for individuals to run their own business activity in Poland (self-employment through registration of a one-man 'company').
As a rule, business activity income is subject to taxation according to Polish progressive tax rates. However, under certain conditions the individual may opt for using of 19 percent tax rate.
Please also note that the individual carrying on business activities is obliged to pay social security contributions and the amount of contributions is usually lower than in the case of other structures (e.g. employment, civil law based contractual arrangements).
- Employment contract (or other) concerning the transfer of copyrights
 - According to the Polish regulations, an individual whose results of work are of a creative and original (unique) nature, if they derive income from the transfer of copyrights may apply 50 percent tax deductible costs (with reference to income decreased by the amount of social security contributions withheld in a given month).
Other optimizing opportunities also exists - e.g. timing of compensation payments and delivery of various benefits prior or following expatriation or repatriation, losing tax residence etc.

Other Measures

- Reclaim opportunities for capital duty taxation - ECJ referral (C-441/08)
 - Where the shareholders of a Polish company, prior to the Polish accession to the EU, granted loans to the company (and so paid capital tax) and, after the day of accession, they decided to convert their receivables to equity, they are likely to have paid capital tax twice. This is because on conversion of their receivables to equity, the capital of the company increased which triggered a capital tax liability.

Recently, Polish tax authorities, as well as the Administrative Court, have denied the company repayment of the overpaid capital tax in such cases. Finally, the Supreme Administrative Court decided to ask the ECJ a preliminary question on this matter.

In our view, it is likely that the ECJ will rule for the company and deem that the decisions of Polish tax authorities and Administrative Court are contrary to Community Law, Polish tax residents who paid capital tax twice, before and after the accession, on the same element of capital, may therefore have an opportunity to regain their overpaid tax.

- Advance Pricing Agreements (APA)
 - Starting from 1 January 2006 related parties can mitigate tax risks related to transfer pricing through the use of APA's, and from 1 January 2007 this possibility has been extended also to permanent establishments located in Poland.

The Polish Ministry of Finance responsible for carrying out the APA process encourages taxpayers to enter into negotiations assuring that experience gained since 2006 increased the Ministry of Finance's capacity to deal with APA application efficiently. However an extra emphasis is given to the update of the financial projections and turnover prognosis due to the crisis on the world markets. Such circumstances may create a chance for taxpayers to proceed with the application concerning the transaction between companies generating lower (but guaranteed) profits than the level of profits benchmarked in the past as an arm's length results. The appropriate adjustments of the market results observed in the past can be presently implemented to agree the most accurate transfer pricing methodology suited to turbulent times.
- Reclaim opportunities for transfer tax paid on acquisition of land
 - It is possible to obtain a refund of transfer tax paid on the acquisition of land. Generally the purchase of land is subject to two percent transfer tax but several exemptions apply. Commonly the transfer tax was paid on purchase of agricultural land. In such case, if the land was purchased after 1 January 2004, there is a possibility of reclaiming the overpaid tax.



Portugal

Corporate Income Tax

- The minimum value of the special payment on account of Corporate Income Tax ("Pagamento especial por conta") was reduced to €1,000 (previously €1,250).
- The tax benefit related to the creation of jobs was extended to 34 years old workers or young (instead of 30 years old) and to long-term unemployed registered for a period of at least nine months (previously 12 months).

Indirect Tax

- The maximum rate of Municipal Property Tax (IMI) has been reduced, as of 1 January 2008, as detailed below:
 - From 0.8 percent to 0.7 percent - regarding urban buildings, which have not been subject to evaluation under the IMI rules
 - From 0.5 percent to 0.4 percent - regarding urban buildings, which have already been evaluated under the IMI rules.
- The IMI exemption period foreseen for dwellings has been extended, as follows:
 - From six to eight years – concerning urban buildings with property tax value up to €157,500
 - From three to four years – concerning urban buildings with property tax value between €157,500 and €236,250.
- The credit amount above which a taxable person may ask for a VAT refund without having to wait for a minimum 12 month period has been reduced to €3,000.

Individual Income Tax

- The thresholds for the deduction of expenses with real estate property were increased by 10 percent to 50 percent (depending on the individual's taxable income). These new thresholds are applicable as of 1 January 2008.
- Introduction of a deduction of 50 percent of the expenses with the acquisition of equipment related to new generation broadband networks, limited to €250.

Other Measures

- The R&D tax credit ("Sistema de Incentivos Fiscais à Investigação e Desenvolvimento Empresarial - SIFIDE") was increased to 32.5 percent of the R&D expenses incurred (previously 20 percent). Moreover, the limit for the expenses eligible for the tax credits related to incremental R&D expenses was raised to €1,500,000 (previously €750,000).
- It was introduced a tax incentive related to specific investments made in 2009 ("Regime Fiscal de Apoio ao Investimento 2009 - RFAI 2009") in agriculture, forestry, agro-industrial, energy, tourism, mining, manufacturing industries and broadband networks for new generation.
 - A tax credit related to the relevant investment (20 percent for an investment up to €5,000,000 and 10 percent for an investment over

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€5,000,000) with a limit of 25 percent of the Corporate Income Tax assessed.

- Stamp Duty, Municipal Real Estate Tax and Municipal Real Estate Transfer Tax exemption may apply under certain circumstances.
- The tax exemption for capital gains assessed by SGPS (Portuguese holding companies) was extended to Portuguese tax resident companies incorporated in another EU country that only undertook the activity of holding participations.
- Introduction of a legal regime in order to simplify the process of mergers and de-mergers, as well as to reduce its administrative costs.
- As of 1 January 2009 and until the end of the year there will be some direct investment and Social Security reductions or exemptions of contributions in the following conditions:
 - Companies with no more than 49 employers can benefit from a reduction of three percent on the Social Security contribution rate, by hiring people with more than 45 years old.
 - Companies can benefit from an exemption of Social Security contributions during 36 months (or 24 months of exemption and a direct benefit of €2,000) as regards to the following hiring's: (i) young people (35 years old or less) applying for the first job; (ii) long term unemployed individuals; (iii) unemployed individuals aged 55 years or older; (iv) people benefiting from special social pension, provided that those are hired under a permanent contract.
 - Companies can benefit from a 50 percent reduction on the Social Security contributions in case of hiring under fixed term contracts, for the following situations: (i) unemployed individuals with 55 years old or more, or (ii) people benefiting from special social pension.
 - Companies can benefit from a Social Security contributions exemption for 36 months for young people (35 years old) hired under certain conditions (or 24 months exemption and a direct benefit of €2,000).
 - Companies can benefit from a 50 percent reduction on the Social Security contribution for 36 months for workers hired under a permanent contract that were previously a service provider, under certain conditions.



Romania

Corporate Income Tax

- Income earned in 2009 from trading participation titles (i.e. shares) listed on a Stock Exchange regulated by the Romanian National Securities Commission (CNVM), are non-taxable.
- Companies whose activities suffer from a temporary interruption and that grant an indemnity will benefit from a maximum three month exemption from the payment of the social security contributions. The indemnity consists of a minimum 75 percent of the base salary, granted during the period of the interrupted activity.
- Dividends reinvested in activities of the distributing company or in the share capital of another Romanian legal entity are tax exempt if the purpose of the reinvestment is to secure and create new jobs.
- As of 2009, R&D expenses are subject to an additional 20 percent deduction.
- The equipment used for the R&D activities is eligible for accelerated depreciation.

Individual Income Tax

- Income earned by individuals (Romanian and non-Romanian) from the transfer of listed securities, regardless of the capital market (i.e. Romanian or foreign) where the income is earned, are non-taxable during 2009.
- Capital gains made from the transfer of Romanian securities, earned by non-resident undertakings for collective investment in transferable securities ("UCITS") which are not legal entities, are not subject to tax in Romania.
- The unemployment benefit was extended for an additional three month period for persons who currently have unemployment benefit and for persons who will become unemployed, but no later than 31 December 2009.
- A maximum three month exemption will apply from the payment of social security contributions by both employers and their employees that benefit from the indemnity granted for the temporary interruption of activity.
- As from 1 January 2009 interest income derived from saving instruments are non taxable.

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Russia

Corporate Income Tax

- Reduction of corporate income tax rate from 24 percent to 20 percent, two percent of which is due to the federal budget and 18 percent to the regional budget.
- With regard to the depreciable fixed assets with useful life from three to 20 years - 30 percent of the initial value of such assets can be deducted immediately in the month following the month when the assets are put into operation. With regard to other depreciable fixed assets 10 percent depreciation premium can be applied.
- For the period from 1 September 2008 to 31 December 2009 the limits for deductibility of interest expenses are increased to refinancing rate of RF Central bank multiplied by 1.5 for loans granted in rubles (instead of 1.1 effective in prior periods), and up to 22 percent for loans in foreign currency (instead of 15 percent effective in prior periods).
- Profits tax rate for producers of agricultural products which do not apply unified agricultural taxation system equals to zero percent until 2012.

Indirect Tax

- The customer can claim for recovery from the budget VAT related to advances given to the supplier (cash flow advantage).
- The following rules lead to negative cash flow consequences were cancelled:
 - The obligation to pay VAT by separate payment order to the contracting party in case of non-cash settlements.
 - Right to offset VAT accrued with regard to capital expenditure objects related to self-construction only after the payment of respective VAT. Starting from 1 January 2009 VAT related to self-construction should be accrued and offset within one tax period, no cash payments are required in this regard.
- To confirm zero rate VAT on export sales taxpayers-exporters can collect and submit to the tax authorities documents related to export confirmation within 270 days for the goods placed under customs export regime in the period from 1 July 2008 to 31 December 2009 (instead of 180 days rule effective before). Some additional amendments to current tax legislation favorable for exporters are planned to be introduced in the nearest future.
- Starting from third quarter of 2008, VAT due to the budget for the tax period (quarter) can be paid in three equal installments no later than 20th day of each three months following tax period (previously total amount of VAT for the tax period should be paid no later than 20th day of month following tax period).
- Currently, VAT exemption is applied to imported technological equipment, components and spare parts to this equipment contributed to the charter (share) capital. This provision shall be also applied to import of technological equipment, components and spare parts to this equipment analogs of which are not produced in the RF after the list of such equipment is approved by the Russian Government.

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Other measures

- Reduction of rates for taxpayers which applied simplified taxation system with tax base defined as income less the amount of deductible expenses: the legislation of the regions of the RF may stipulate graduated rates from five percent to 15 percent depending on the category of taxpayers (general rate is 15 percent).
- Moreover, current the RF federal and regional legislation stipulates a number of tax concessions and options for tax savings. At present, additional anti-crisis amendments to the tax legislation are proposed by the RF Ministry of Finance and the Ministry of Economic Development– simplification of thin capitalization rules in relation to deductibility of interest, introduction of “consolidated taxpayer” concept for groups of companies, introduction of regional tax concessions, etc.



Slovak Republic

Corporate Income Tax

- The acquisition price from which fixed assets need to be depreciated for tax purposes (and cannot be treated as direct costs) has been increased.
- Newly established companies have the possibility to exclude unrealized foreign exchange differences from their tax base already in their first taxable period.
- The calculation of the tax deductible portion of fuel costs incurred by taxpayers was simplified.
- State bonds issued by the Slovak Republic are subject to tax.
- Small individual businesses may under certain circumstances decide to keep "tax records" instead of accounting books if the respective entrepreneur did not generate more than €170,000 income from his entrepreneurial activities in the preceding taxable period.

Individual Income Tax

- State bonds issued by the Slovak Republic are subject to tax.
- The maximum income up to which the full general allowance for individuals is granted was reduced for the years 2009 and 2010 to 86 times the effective minimum subsistence amount (i.e. to €15,387.12 in 2009) and the maximum allowance was increased to 22.5 times the effective minimum subsistence amount (i.e. to €4,025.7 in 2009).
- The allowances available to tax residents (i.e. spouse allowance and allowance for supplementary pension insurance, etc.) as well as the tax bonus for taxpayers with dependent children can based on the new rule also be applied by a non-resident taxpayer but only if his/her Slovak Republic sourced income subject to taxation in the Slovak Republic amounts to at least 90 percent of his/her worldwide income.
- Foreign sourced income may be excluded from the tax base also if a DTT is in place and the exemption method is more beneficial for the taxpayer than applying the DTT.

Indirect Tax

- With effect from 1 January 2010 tax grouping for VAT purposes will be allowed if certain conditions are met.
- Excess input VAT may be refunded in an accelerated refund procedure if certain conditions are met.
- VAT registration threshold should be increased to €49,790 from July 2009 (subject to the respective legislation entering into force).
- More beneficial procedure for claiming VAT deductions available.

Other Measures

- The Investment Aid Act has been amended for the period from 1 April 2009 to 31 December 2010 to enable more investments to qualify as eligible investments for state aid purposes and new investment incentives for research and development were introduced.

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- The requirements for a statutory audit were amended to exclude smaller companies from the entities the accounts of which must be audited. Based on the new rules a statutory audit is required when two of the following three conditions are met: (1) the asset value of a business company exceeds €1,000,000; (2) the net turnover exceeds €2,000,000; (3) the average number of employees exceed 30.



Slovenia

The Government has or wishes to determine the following measures:

Corporate Income Tax

- Relief for investments: a tax payer may claim a reduction of the tax base of 30 percent of the amount invested in equipment and intangible fixed assets, but not more than €30,000 and not exceeding the amount of the tax base. This relief has been already applied for all investments done in the year 2008 and also reported in the CIT return for the year 2008. The condition of having employed two employees on a full-time basis the whole tax period in the year of the investing is abolished.

The taxpayers can use the relief for the investing into buses (EURO IV) and freight motor vehicles (EURO V) for the year 2008, 2009 and 2010 in accordance with the above mentioned conditions.

Indirect Tax

- The change of the VAT act has come into force, where proposed reduced due for VAT refund from 60 to 21 days shall be applicable for all filed VAT returns filed after 1 January 2010.

Individual Income Tax

- Relief for investments: a taxpayer may claim a reduction of the tax base of 30 percent of the amount invested in equipment and intangible fixed assets but not exceeding the amount of the tax base. The absolute amount of the relief was abolished. The condition of having employed one employee on a full-time basis the whole tax period in the year of the investing has been also abolished. The same relief refers also to the farm and forest activity.

The proposed measure, which are not yet into force are that the relief for the investment can be used also for the investing into buses (EURO IV) and freight motor vehicles (EURO V) for the year 2008, 2009 and 2010 (with this measures would be personal companies become equal to corporate companies).

Other Measures

- From 1 March 2009 also the Decree on fixing the level of excise duty on beer, intermediate products and alcohol has been changed and the excise duty has been changed thereof.
- The first venture capital company in Slovenia has started to operate yet, which will invest in the new companies and in to companies with high potential of growth.
- Subventions for the shorter working time in Slovenia companies.

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South Africa

No special measures have been taken.

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Spain

Corporate Income Tax

- Modification of the scope of the tax credit established for research and development activities and technological innovation. It modifies certain percentages of the tax credit for research and development activities, it defines its scope and it adapts its wording to EU jurisprudence in order to avoid any discrimination in favor of Spanish resident entities. These research and development activities and technological innovation tax credits, which were supposed to be abolished as from 2012, have been now extended by Royal-Decree law 3/2009, of 27 March 2009, of urgent measures in tax, financial and creditor's proceedings matters on the development of the economic situation.
- Extension of the scope of the participation exemption regime to dividends or capital gains from subsidiaries located in EU tax havens, if it can be proven before the Spanish tax administration that those subsidiaries are carrying on business activities and their location in the tax havens are justified by real economic reasons.
- In the same way, regarding subsidiaries located in EU tax havens, the new regulation provides the possibility of deducting any depreciation that arises on these stakes, subject to comply with the same requirements of business activity and economic reasons for the incorporation in the tax haven.
- In order to maintain the level of employment, Law 4/2008 introduces the possibility of freely depreciating the new tangible and real estate assets used in economic activities which are made available to the taxpayer in the tax periods beginning within in 2009 and 2010, without the need for recording it in the accounts, provided that the taxpayer maintains the average total workforce of the 12 preceding months former, during the 24-month period following the beginning of the tax period in which the assets acquired start operating.

Indirect Tax

- As of 1 January 2008, VAT refunds can be obtained monthly rather than annually.

Individual Income Tax

- Extension of the deadline to materialize an existing tax deduction regarding the taxpayers' acquisition of the usual residence. Under the new provisions, the purchase of the residence may be delayed until 31 December 2010.
- Possible reduction of up to two percent on the withholding tax rate applicable by employers over payments to employees when they are using external financing (e.g. mortgages) in the purchase of their residence.
- Abolition of net wealth tax from 1 January 2008.
- Family support (i.e. birth subsidies, permission for families whose breadwinners are unemployed to put off their mortgage payment for two years).

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Other Measures

- With the main goal of mitigating the effects of fuel price increase, a 50 percent reduction over Spanish business tax was approved for road transport activities carried out during 2008.
- Law 3/2009, of 27 March 2009 has reduced the legal interest rate to four percent and delay interest to five percent.



Sweden

The incentives to prevent the financial crisis have been introduced together with changes in the tax Act to improve the corporate and employment climate in Sweden in general.

Corporate Income Tax

- Reduction of the corporate income tax rate to 26.3 percent
- Reduction of the tax rate for social security contributions to 31.42 percent for the employed and 29.71 percent for the self employed
- Proposed rules on the expansion of tax rules on prohibition against loans to related parties. Under the proposed rules loans from foreign companies to individuals may be taxed as employment income in Sweden. The rules are proposed to have retroactive effect as from February 13, 2009
- New rules on limitations of deductibility of interest related to loans that refer to intra-group acquisition of shares
- New rules that allows employers a temporary postponement of paying payroll tax and the employees' withholding tax for two months during 2009.

Individual Income Tax

- Reduction of tax with regard to income derived from employment
- Tax reduction for household services
- Tax reduction for repairs, maintenance, structural alteration and extensions to a house.

In indirect taxation, no changes have been made due to the financial crisis. However, some reforms that will enter into force 1 January 2010 will have positive cash flow effects. One example is the implementation of the "VAT package", as the reverse charge principle will be applied to a larger extent. Due to this the buyer will report the VAT instead of the seller. This has positive cash flow effects for the seller.

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Switzerland

Individual Income Tax

- Certain measures have been proposed in the areas of
 - Taxation of married couples (limitation of progression effect)
 - Adjustments to the tax scale/brackets (to adjust for increased progression due to inflation)
 - Tax relieves for families (i.e., deductibility of costs for childcare).

All these measures are meant to increase available income and to stimulate demand.

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Turkey

Corporate Income Tax

- The withholding tax rate on certain payments to non-resident companies are re-determined as follows:
 - The application of zero percent withholding tax on interest payments to foreign banks and financial institutions is continued.
 - Reduced withholding tax of five percent is introduced for interest payments to foreign entities due to purchase of goods on credit basis.
 - Reduced withholding tax of one percent is introduced for interest payments of banks on credits received through securitization.
- The withholding tax rate to be applied on gains derived by resident individual and corporate taxpayers from certain financial investments is reduced to zero percent.
- Under the so called “Asset Peace” act numbered 5811 (with the purpose to the inject the “cash, foreign currency, gold, marketable securities or other securities” held out of Turkey by Turkish individual and corporate taxpayers into Turkish economy and to have the “immovable properties” registered, as well as improvement of capital structure of entities by injecting “similar assets” that are held in Turkey but not recorded in the balance of Turkish entities) the application of the “Asset Peace” act has expired on 31 March 2009 (the Government is currently considering the extension of the application of “Asset Peace” Act).
 - Such “assets” that are declared and brought into Turkey from abroad, subject to a one time additional tax of two percent, shall be exempt from all other corporate and income taxes and tax investigations.
 - Such “assets” that are injected as equity into Turkish entities from inland, subject to a one time additional tax of five percent, shall be exempt from all other corporate and income taxes and tax investigations.
- A new concept of “discounted corporate tax rate” has been introduced that could be applied to companies who incur new investments under the scope of an “investment incentive certificate” or companies operating in the textile sector (this Council of Ministers have not yet used their authority to determine such “discounted corporate tax rates” hence this provision is not yet effective).

Indirect Tax

- The VAT and Special Consumption Tax (SCT) rates are re-determined as follows:
 - The VAT rate to be applied on sale of residential houses that do not exceed 150 percent m² is reduced from 18 percent to eight percent (until 15 June 2009).
 - The Special Consumption Tax applied on motor cars that have a motor capacity up to 1600 cc is reduced to 18 percent from 37 percent (until 15 June 2009). This application was extended until 30 September 2009 and the rate will be 27 percent.

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In addition, SCT on Buses, Vans, certain Commercial Cars, trucks, motorcycles is also reduced until 30 September 2009.

- The Special Consumption Taxes on some durable goods (refrigerators, washing machines, dish washers) was reduced to zero percent until 15 June 2009 and reduction was extended until 30 September 2009). During the extension period new rate will be two percent.
 - The Special Consumption Tax applied on consumer electronic devices is reduced to zero percent (until 15 June 2009). This application was extended until 30 September 2009.
 - The VAT rate to be applied on delivery of certain furnitures, industrial and business related machinery and equipment is reduced from 18 percent to eight percent (until 30 June 2009). This application was extended until 30 September 2009.
- The surcharge applied on registration of real estate properties is reduced from 1.5 percent to 0.5 percent (until 30 June 2009).

Other Measures

- The rate of surcharge (Resource Utilization Support Fund) that is applied on consumer credits is reduced from 15 percent to 10 percent.



United Kingdom

Corporate Income Tax

- Temporary extension of the carry back period for trade losses (up to £50,000) to three years.
- Deferral of tax payment provided certain criteria are met.
- Temporary enhanced rate of tax depreciation (Capital Allowances) for certain capital expenditure.

Indirect Tax

- Temporary reduction in the standard rate of VAT to 15 percent (the standard rate will revert to 17.5 percent from 1 January 2010).

Other Measures

- The temporary increase in Stamp Duty Land Tax threshold for residential property purchases from £150,000 to £175,000 will be extended by three months to 31 December 2009.
- Vehicle Scrappage Scheme - a discount of £2,000 is to be offered to consumers buying a new vehicle to replace a vehicle more than ten years old which they have owned for more than twelve months. The scheme is jointly funded by the government and car manufacturers.
- The annual limit for investments that can be made into Individual Savings Accounts will be raised to £10,200, of which up to £5,100 can be saved in cash.

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United States of America

The recently enacted *American Recovery and Reinvestment Act of 2009* includes the following corporate income tax and individual income tax provisions:

Corporate Income Tax

- Extension of the current small business expensing thresholds and limitations for expenditures incurred in 2009
- Extension of the 50 percent bonus depreciation for property placed in service in 2009
- Five-year net operating loss (NOL) carry back of 2008 losses for businesses with gross receipts of US\$15 million or less
- Expanded target group for the Work Opportunity Tax Credit
- Prospective repeal of Treasury Notice 2008-83 that liberalized the rules regarding the use of an acquired bank's unrealized losses by an acquiring taxpayer
- Deferral of recognition of cancellation of indebtedness income with respect to certain debt repurchases and exchanges
- Extended opportunity into 2009 to monetize unused alternative minimum tax (AMT) and R&E credits
- Temporary reduction of the S corporation built-in gains holding period from 10 years to seven years
- Increase to 75 percent for 2009 and 2010 the income exclusion for the sale of small business stock.

Individual Income Tax

- An \$800 refundable income tax credit (US\$400 for single taxpayers) for 2009 and 2010, phasing out as adjusted gross income increases above US\$150,000 for taxpayers filing joint returns and US\$75,000 for single taxpayers
- Increased earned income tax and refundable child tax credits for 2009 and 2010
- Expanded education credits for 2009 and 2010
- Extending and increasing the first-time homebuyer credit to US\$8,000 and waiving the credit repayment requirement
- Increasing for 2009 the individual AMT exemption amount to US\$70,950 (US\$46,700 for single taxpayers) and allowing personal credits against the AMT
- Reduction of the 2009 estimated tax payments for individuals with income from certain small businesses.

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Uruguay

The following measures have been announced, and are gradually being put in place by the Uruguay Government:

Corporate Income Tax

- Tax benefits for training activities, for research and development and for the creation of new jobs
- Tax benefits for the automobile sector
- Promotion through tax benefits of investments in the production of energy generation and agricultural equipment
- Increase advance payment of Corporate Income Tax from four percent to eight percent for the importation of consumer goods with a high ratio between selling price and importation price.

Indirect Tax

- Temporary tax benefits for the industrial sector regarding the deduction of VAT on gas-oil.

Other Measures

- Subsidies for training and maintenance of employment in those sectors most affected by the crisis (textiles, clothing, leather and automobiles)
- Negotiation of an agreement for the exchange of information and statistics between the Customs Offices of Uruguay and China
- Adjustment of customs protection for the manufacturing of vehicles in certain specific segments
- Strengthening of customs valuation procedures within the framework of WTO rules, including the requirement of guarantee deposits for the importation of goods valued below international standards
- Extension to the leather and automobile sector of certain preferential credit conditions (pre-financing) currently applied to clothing and textile sector
- Suspension during a period of 180 days of the condition for certain promotional mechanisms only to apply to exports with less than 80 percent of imported components.

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Venezuela

Indirect Tax

- VAT rate was increased from nine percent to 12 percent starting April 1, 2009.

Other Measures

- In April 2009 a Regulations was issued by the President of the Bolivarian Republic of Venezuela, prohibiting luxury expenses by the national public sector.

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The material contained within draws on the experience of KPMG tax personnel and their knowledge of local tax law in each of the countries covered. While every effort has been made to provide information current at the date of publication, tax laws around the world change constantly. Accordingly, the material should be viewed only as a general guide and should not be relied on without consulting your local KPMG tax adviser for the specific application of a country's tax rules to your own situation.

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