International Tax Europe and Africa July 2017

This e-newsletter gives you an overview of international tax developments being reported globally by KPMG member firms in the Europe and Africa regions between **1 July and 31 July 2017.**

Belgium	France	Mauritius	Poland
EU	Italy	Netherlands	United Kingdom

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To contact the International Tax Team email internationaltax@kpmg.com.

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	Tax area concerned	Relevant date	Description of measures and publication link
Belgium			
Proposed legislation	Corporate tax	26 July 2017	Belgium's government has reached an agreement concerning various tax measures for the 2018 budget—including measures that would reduce the rate of corporate income tax for large companies and for small and medium-sized enterprises (SMEs). For large companies, the rate of corporate income tax would be phased down to 25 percent—the rate would be reduced first to 29 percent as from income year 2018, and then to 25 percent as from income year 2020. For small enterprises, from the income year 2018, the corporate income tax rate would be reduced to 20 percent on the first €100,000 of profit of the SME. Read more.

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EU

Administrative and case law	Tarriffs	6 July 2017	Representatives of Japan and the European Union on 6 July 2017 reached an “agreement in principle” on the main elements of the Japan-EU economic partnership agreement. Both sides have made a commitment to eliminate customs tariffs on industrial goods. Particularly, the agreement could have a significant effect on the apparel industry from a tariff reduction perspective. Read more.

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France			
Administrative and case law	Corporate tax	7 July 2017	The French prime minister last week presented to the French National Assembly the first tax measures expected to be implemented in the very near future. These measures would (in all likelihood) be included in the draft Finance Law for 2018, to be submitted to the French Parliament during the fall 2017. Many of the proposals would aim at increasing the competitiveness of the French marketplace. Read more.
Administrative and case law	Permanent establishment	18 July 2017	An administrative court in Paris—in a proceeding initiated when the French tax authorities alleged “tax evasion”—determined that an Irish entity did not have a permanent establishment in France for purposes of either corporate income tax or value added tax (VAT). Read more.

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Italy			
Tax legislation approved and regulatory update	Capital gains tax	19 July 2017	A decree establishes a new percentage of capital gains and losses realized by non-resident taxpayers, from the transfer of “qualifying” shares in Italian companies, and included in the taxable income of the seller for purposes of the Italian corporate income tax (IRES). The new percentage is 58.14 percent (up from 49.72 percent) and applies to capital gains and losses realized since 1 January 2018. Read more.
Administrative and case law	Dispute resolution	6 July 2017	Newly enacted measures provide taxpayers with an opportunity to settle tax disputes currently pending before the Italian courts, by paying only the amount of the tax liability (without having to pay interest and penalties). The settlement process is available if

			taxpayers submit a special application by 30 September 2017. Read more.
Administrative and case law	Withholding tax	25 July 2017	The Italian tax authority (Agenzia delle Entrate) issued a tax ruling in response to certain foreign investment funds seeking to qualify for an exemption from withholding tax. The tax ruling may make it easier for foreign investment funds to show they qualify for an exemption from withholding tax. The ruling clarifies that in cases when the supervisory authorities of a foreign state do not issue a specific attestation, the "subject to supervision" requirement is satisfied if supervision can be inferred from public sources. Read more.

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Mauritius			
Treaties	BEPS	5 July 2017	Representatives of Mauritius signed the multilateral convention (MLI) to implement tax treaty-related measures to prevent base erosion and profit shifting (BEPS). The MLI allows jurisdictions to apply results of the OECD/G20 BEPS project, including minimum standards to implement in tax treaties to prevent treaty abuse and to address “treaty shopping” into existing networks of bilateral tax treaties in a quick and efficient manner. Read more.

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Netherlands			
Administrative and case law	Patent box regime	7 July 2017	Following approval by the European Code of Conduct group, the Organisation for Economic Cooperation and Development (OECD) also concluded that the Dutch innovation box regime does not produce any harmful tax competition. Since July 2016, the OECD Forum on Harmful Tax Practices has investigated 125 preferential tax regimes in various countries. The OECD forum, in a report produced following 12 months of evaluation, concluded that the innovation box regimes of 11 countries—including the Netherlands—did not produce any harmful tax competition. Read more.

Proposed legislation	Corporate tax	10 July 2017	A document released 10 July 2017 for public consultation concerns the proposed introduction of anti-tax avoidance measures into Dutch tax law—specifically proposals concerning interest deduction limitation, exit tax, and CFC rules. Read more.
Others	Brexit	11 July 2017	The United Kingdom's departure from the European Union and the related trade and customs implications is anticipated to have far-reaching effects on the Dutch economy. The expected increase in the number of transactions at the border will not only have major implications on enforcement services—including Dutch Customs, the Netherlands Food and Consumer Product Safety Authority (NWFA) and the Human Environment and Transport Inspectorate (ILT)—but Dutch businesses also would be affected. Read more.

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Poland			
Proposed legislation	Corporate tax	17 July 2017	A draft bill, published 12 July 2017, includes provisions that aim at amending the corporate income tax. The main objective of the draft bill is to "tighten" the current corporate income tax system in order to align taxes paid by large multinational enterprises in Poland with actual profits derived in the Polish territory by preventing the use of "aggressive tax planning." The provisions are expected to be effective 1 January 2018. Read more.

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United Kingdom			
Proposed legislation	Corporate tax	14 July 2017	Proposed amendments to the hybrid mismatch rules include changes to amortization of intangible fixed assets and rules related to formal claims for timing mismatches. Read more.
Administrative and case law	Corporate residence	28 Jul 2017	The case considered whether companies incorporated in Jersey were residents in the UK. The decision raises some difficult questions as to the present state of the law on company residence and it will be interesting to see whether it is appealed by the taxpayer in due course. Read more.

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Publication Number: 134652A-G